
**Comprehensive
Annual
Financial
Report**

2006



City of Provo, Utah
For the Year Ended
June 30, 2006

Prepared by Provo City Finance Department

**PROVO CITY CORPORATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2006**

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	1
INTRODUCTORY SECTION	
Letter of Transmittal	5
GFOA Certificate of Achievement	12
Organizational Structure	13
List of Elected & Staff Positions	14
FINANCIAL SECTION	
Independent Auditors' Report	17
Management's Discussion and Analysis	19
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	31
Statement of Activities	32
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheets	34
Reconciliation of the Balance Sheets to the Statement of Net Assets	35

Statement of Revenues, Expenditures, and Changes in Fund Balances	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	37
General Fund Budgetary Comparison Statement	38
Housing Consortium Budgetary Comparison Statement	39
Proprietary Fund Financial Statements	
Balance Sheet	40
Statement of Revenues, Expenses, and Changes in Net Assets	42
Statement of Cash Flows	44
Notes to the Financial Statements	47
Supplementary Information	
Other Governmental Funds	
Combining Balance Sheet	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	96
Comparative Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Capital Improvement Fund	100
Library	101
Arts Council	102
Winterfest	103
Commercial Rehab	104
Business Development Loans	105
Rental Rehab	106
CDBG	107
Housing Rehab	108
Tax Increment	109
Homebuyer Assistance	110

Special Purpose Grants	111
New Development	112
Provo Foundation	113
CNRCC	114
Mountain Vista	115
Economic Development	116
Special Improvement	117
Debt Service	118
Building Authority	119
Guaranty	120

Proprietary Funds

Other Enterprise Funds

Combining Balance Sheet	122
Combining Statement of Revenues, Expenses and Changes in Net Assets	123
Combining Statement of Cash Flows	124

Internal Service Funds

Combining Balance Sheet	125
Combining Statement of Revenues, Expenses and Changes in Net Assets	126
Combining Statement of Cash Flows	128

Impact Fee Schedule	130
----------------------------	------------

STATISTICAL SECTION

Table of Contents	131
Net Assets by Component	133
Changes in Net Assets	134
Fund Balances of Governmental Funds	136
Changes in Fund Balances of Governmental Funds	137

General Governmental Tax Revenue By Source	138
Assessed Value and Estimated Actual Value of Taxable Property	139
Property Tax Rates - Direct and Overlapping Governments	140
Principal Property Taxpayers	141
Property Tax Levies and Collections	142
Ratio of Outstanding Debt by Type	143
Ratios of General Bonded Debt Outstanding	144
Direct and Overlapping Governmental Activities Debt	145
Legal Debt Margin Information	146
Pledged-Revenue Coverage	147
Demographic and Economic Statistics	148
Principal Employers	149
Full-time Equivalent City Government Employees by Function	150
Operating Indicators by Function	151
Capital Asset Statistics by Function	152

The City of
Provo, Utah

LETTER OF TRANSMITTAL

November 28, 2006

To the Honorable Mayor, members of the City Council, and the Citizens of the City of Provo:

Lewis K. Billings
Mayor

State law and local ordinance require that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In conformance with that requirement, we issue the Comprehensive Annual Financial Report (CAFR) of the City of Provo for the fiscal year ended June 30, 2006.

This report consists of management's representations concerning the finances of the City of Provo. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. In order to provide a reasonable basis for making these representations, management of the City of Provo has established an internal control framework that is designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal, state, and local financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to the appropriate programs. This internal control structure is subject to periodic evaluation by management.

Hansen, Bradshaw, Malmrose & Erickson, P.C., a firm of licensed certified public accountants selected by the Municipal Council, has audited the City of Provo's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Provo for the fiscal year ended June 30, 2006, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Hansen, Bradshaw, Malmrose &

Office of Finance

351 West Center Street

P.O. Box 1849

Provo, Utah 84603

FAX: (801) 852-6530



Erickson, P.C., concluded, based upon the audit, that there is reasonable basis for rendering an unqualified opinion that the City of Provo's financial statements for the fiscal year ended June 30, 2006, were fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the City of Provo's financial statements was part of a broader, federally mandated Single Audit Act of 1997 and the U.S. Office of Management and Budget's Circular A-133, Audits of State and Local Governments. Information related to this single audit, including a schedule of federal financial assistance, the independent auditor's report on internal controls and compliance with applicable laws and regulations, and a schedule of findings, are available in the City of Provo's separately issued Single Audit Report.

The CAFR is presented in three sections: introductory, financial and statistical.

PROFILE OF THE GOVERNMENT

The City of Provo, incorporated in 1851, is located in a metropolitan area that has a dynamic and diverse economy. The government is empowered to levy a property tax on both real and personal property located within its boundaries.

The City of Provo currently operates under the mayor-council form of government. Legislative authority is vested in the Municipal Council, which consists of seven members. The legislative branch is responsible, among other things, for passing ordinances, adopting the budget, and approving appointment of committee members. The Mayor is responsible for establishing and implementing City policies, carrying out the ordinances of the Municipal Council, and overseeing the day-to-day operations of the government. The Council and Mayor are elected on a non-partisan basis. Five of the Council members are elected from within their respective districts. The Mayor and the two remaining members are elected at large. All elected officials serve staggered four-year terms with four, then three, Council members elected every two years.

The City of Provo provides a full range of services that include public safety, streets, recreational and cultural events, community development and general administrative services. The City of Provo also operates energy, water, wastewater, sanitation, telecommunications, municipal golf course, and storm drain utilities. A general aviation airport is also part of the City of Provo. Component units, legally separate entities for which the nature and significance of their relationship with the City of Provo, are such that exclusion would cause the City of Provo's financial statements to be misleading or incomplete. Blended component units are included as part of the primary government. Accordingly, Provo City Redevelopment

Agency and the Provo Foundation are reported as special revenue funds; the Municipal Building Authority of Provo City as a debt service fund; and the Provo City Stormwater Service District as an enterprise fund.

The City of Provo maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget adopted by the Provo Municipal Council. For the 2006 fiscal year, activities of the general fund, special revenue funds, debt service funds, and capital project funds are included in the annual appropriated budget. The state law was revised during 2003 mandating that a budget be presented and adopted for all funds for the fiscal years beginning after January 1, 2004.

The level of budgetary control, i.e., the level where expenditures cannot legally exceed the appropriated amount, is maintained at the departmental level for the General Fund and at the fund level for all other funds. The City of Provo also maintains an encumbrance accounting system as one method of maintaining budgetary control. Outstanding encumbrances at year-end are evaluated and, if deemed necessary by the City of Provo's management, are carried forward as part of the following year's budget.

As demonstrated by the statements included in the financial section of the report, the City of Provo continues to meet its responsibility for sound financial management.

The Management's Discussion and Analysis (MD&A) section of this report offers a more detailed discussion about the economic condition of the City, fund balance analysis and other management goals and achievements.

ECONOMIC CONDITION

The City has a diverse manufacturing and industrial base. Major industries include retail business, light manufacturing, software development, and a university community. This diversity stabilizes the unemployment rate and offers a broad range of employment opportunities.

Currently the national economy is strong. The local economy is strong and growing as reflected by the City's sales and use tax which exceeded budget by \$1.7 million resulting in a 13% increase. With the forecasted growth rate of four to five percent in the local economy by the State budget office, it is likely the City will continue to see increases in sales tax revenues in the next fiscal year. Sales tax revenues received during the first quarter of the new fiscal year support this forecast. Other major revenue sources, such as property tax and franchise taxes, showed moderate increases in comparison to previous years. The City enterprise funds reflected an increase in sales and expenses due to growth, weather

conditions, and overall increased demand as reflected in the overall economy.

The governmental funds revenues, for fiscal year ending June 30, 2006, were \$62,206,508 (See page 36). Tax revenue made up 58 percent of the total. Tax revenue consists of property, vehicle, sales, and franchise taxes. Intergovernmental revenues accounted for an additional 14 percent of the total. The remaining 28 percent is composed of charges for services, licenses and permits, fines and forfeitures, investment earnings, loan repayments and miscellaneous revenues.

The most significant cost increase for the City was in the area of personnel expenses and benefits, and general liability insurance claims. A change in insurance plans for employees helped to control expenses without impacting benefits. As a result of legal claims paid during the fiscal year, all City departments will receive a higher insurance charge to replenish the reserves in the Insurance and Claims Fund.

The City is proactively facing the challenge of reducing expenditures. These efforts include (1) a review of vehicle types and usage to help reduce fuel consumption and number of vehicles, and (2) an increased use of technology to raise productivity and offer convenience to citizens. Each department in the City has been asked to continually look for ways to control expenditures while simultaneously maintaining efficiency and productivity in the services offered.

While striving to control expenditures, the City is committed to maintaining infrastructure and delivering services at sufficient levels. The City will also continue to work on a variety of economic development projects with the intent of creating jobs and stimulating the economic growth and stability of the City.

LONG-TERM FINANCIAL PLANNING

In an effort to improve the City's financial position for the current and future years, the following adjustment has been made.

The City maintains a 5-Year Capital Project/Budget Plan. This plan is updated each year and allows the City to make projections into the future regarding the infrastructure and other long term capital projects that need to be initiated or completed. This plan helps to prioritize projects, estimate costs, and determine the most advantageous way to fund projects.

MAJOR INITIATIVES

The 2006 Fiscal Year marked the near completion of Phase III of the Telecom project—the full citywide deployment of a fiber to the home (FTTH) network. The Telecom Department substantially completed the

construction of the fiber distribution while aggressively connecting individual businesses and residences.

Additional staff was hired to support the full-time operation and maintenance needs of the network including a fully functional network operations center (NOC), which provides 24x7 technical support for the network.

Retail services were delivered to customers by two new service providers—Veracity Communications and MSTARmetro. The City, along with its retail partners, was actively involved in adding new subscribers to the network as the build-out continued. By the end of the fiscal year approximately 6,500 customers were receiving Telecom services over the iProvo fiber network.

The City started construction of a much needed Provo Center for the Arts with construction to be completed in April 2007. The Center will attract diverse audiences and become a nucleus for the visual, theatre, and performing arts in the heart of Utah County where all ages can enjoy the arts.

The City began the remodel of Fire Station #1 to accommodate the Fire Department and Community Development. Community Development plans to move its offices to a portion of the old Fire Station #1 to provide more space and better accessibility to the public. Construction is expected to be complete in December 2006. Once Community Development relocates to its new location, the old Community Development location will be remodeled for Council offices to provide more space for the City Council.

In November of 2005, the City residents approved a General Obligation Road Bond to provide \$5.8 million for construction, reconstruction and rehabilitation of roads within the City, including overlays and other road improvements. The new bonds did not increase taxes; the funding was generated by extending the terms of repayment on an existing road bond passed in 1995. In February 2006, the bonds were issued and construction began in June 2006.

FINANCIAL INFORMATION, MANAGEMENT AND CONTROL

Pension and Other Post-Employment Benefits

The City of Provo participates in the Utah Retirement System (URS). The system is governed by the respective sections of Chapter 49 of the Utah State Code Annotated 1953. The URS administers the following separate retirement systems in which the City of Provo participates: the Local Governmental Contributory Retirement System, the Local Governmental

Noncontributory Retirement System, the Public Safety Retirement System, and the Firefighters Retirement System.

The City of Provo also provides post-retirement health care and life insurance benefits, in accordance with City of Provo policy, to all employees who retire from the City of Provo upon completing the requirements for the retirement plan participated in as stated above.

Cash Management

The City of Provo Treasurer focuses on safety, liquidity and yield of investments. The highest priority of cash management and investments is to ensure adequate funds are available to meet the City of Provo's obligations and that all investments are in safe instruments. Yield, while important, is considered in third priority after safety and liquidity. The City of Provo utilizes "sweep accounts" with its bank to ensure bank deposited funds earn interest rather than remain in non-interest bearing checking accounts. The City of Provo invests almost all operating cash in the State Investment Pool operated by the State of Utah for the benefit of Utah local governments. The state pool invests in accordance with the Utah Money Management Act. Bond proceeds, debt service monies, debt service reserves, etc. are invested according to the bond covenants of each issue.

Risk Management

The City of Provo is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. Risk control techniques have been established to reasonably assure that the City of Provo's employees are aware of their responsibilities regarding loss exposures related to their duties. In a similar manner, risk control techniques have been established to reduce possible losses to property owned or under the control of the City of Provo. Furthermore, supervisory personnel are held responsible for monitoring risk control techniques on an operational basis.

The primary technique used for risk financing is the purchase of insurance policies from commercial insurers that include a large deductible amount. The use of a large deductible clause reduces the cost of the insurance. However, should losses occur, the portion of the uninsured loss is not expected to be significant with respect to the financial position of the City of Provo.

The City of Provo is actively involved in funding a self-insured retention (SIR) account to pay for any deductibles associated with insurance claims. The City of Provo's policy is to maintain a minimum SIR balance of \$750,000.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to Provo City Corporation for its CAFR for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award and recognizes conformance with the highest standards for preparation of state and local government financial reports.

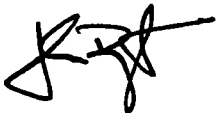
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, with contents conforming to program standards. Such CAFR must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last several years. We believe our current report continues to meet the Certificate of Achievement Program's requirements, and is being submitted to GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the City of Provo, Department of Finance. I would like to express my appreciation to my staff and other personnel from various departments, agencies, and authorities who assisted in its preparation.

Also, I would like to thank the Mayor and the Municipal Council for their interest and support in planning and conducting the financial operations of the City of Provo in a dedicated and responsible manner.

Respectfully submitted,



John D. Borget
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Provo City Corporation,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



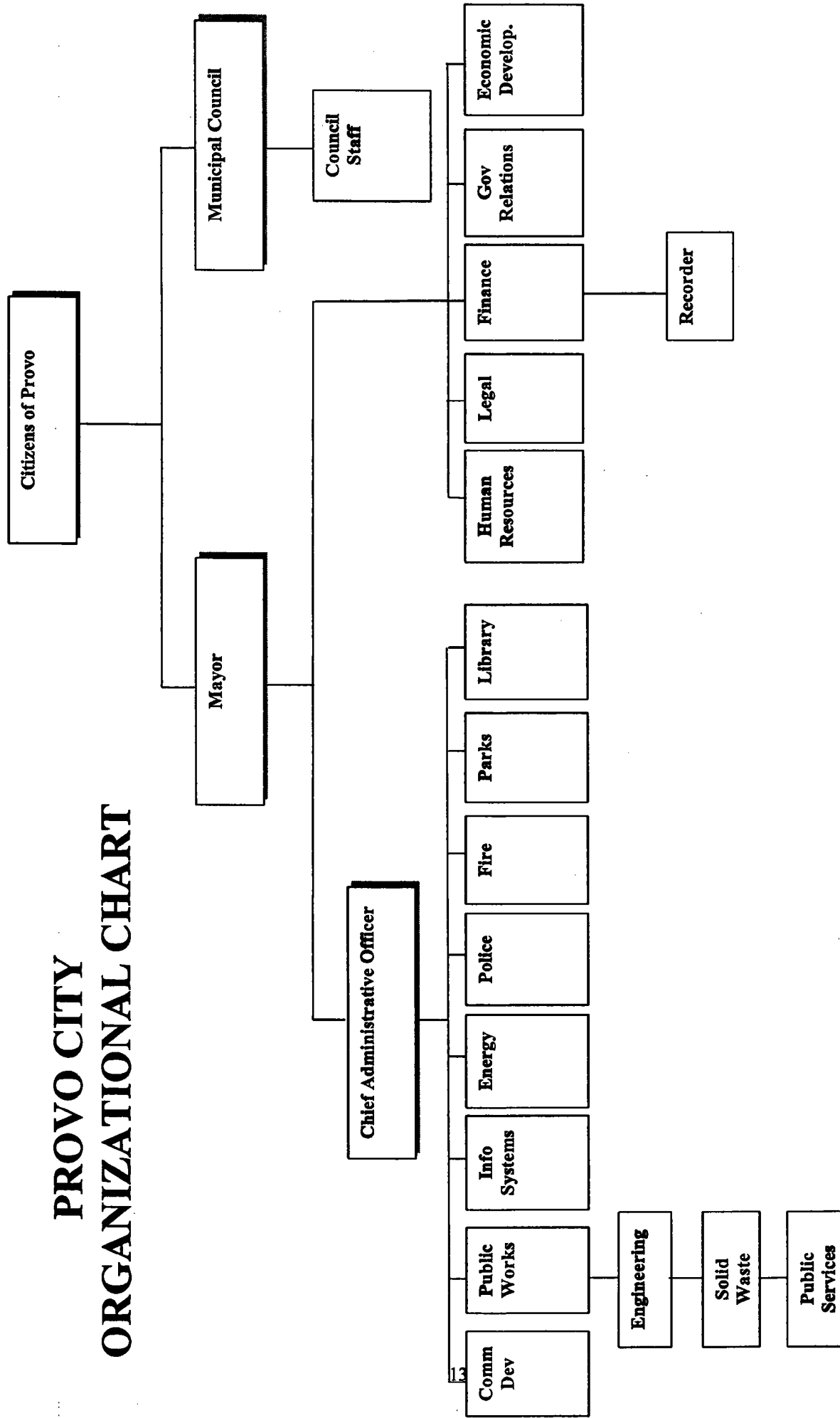
Carol E. Perry

President

Jeffrey R. Enen

Executive Director

PROVO CITY ORGANIZATIONAL CHART



ELECTED AND STAFF POSITIONS

MAYOR

Lewis K. Billings

MUNICIPAL COUNCIL

George O. Stewart, 2006 Council Chair

Cindy L Richards, 2006 Vice Chair
Barbara Sandstrom
Steve Turley

Cynthia R. Dayton
Cynthia J. Clark
Midge Johnson

Executive Director – Terry Ann Harward

EXECUTIVE STAFF

Wayne Parker

Chief Administrative Officer

Raylene Ireland

Director of Community and Government Relations

STATUTORY/OTHER POSITIONS

Paul Glauser

Redevelopment Agency

David B. Croff

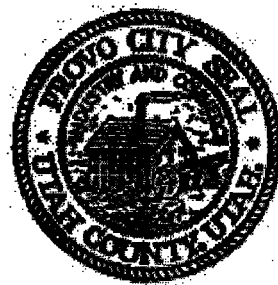
Budget Officer /City Treasurer

LaNice Groesbeck

City Recorder

DEPARTMENT/OFFICE DIRECTORS

Craig Geslison	Police Department
Coy Porter	Fire Department
John D. Borget	Department of Finance
Dr. Robert Ridge	Department of Information Services
Robert West	Office of Legal Services
Eric J. Mausser	Office of Personnel Services
Gary McGinn	Department of Community Development
Nick R. Jones	Department of Engineering
Scott Pepler	Department of Public Services
Roger L. Thomas	Department of Parks and Recreation
Gene Nelson	Department of Library Services
Kevin Garlick	Department of Energy
Merril L. Bingham	Department of Water Resources
Leland A. Gamette	Department of Economic Development



This page is intentionally left blank.

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation

CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

E. Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA

Jason L. Tanner, CPA
Robert D. Wood, CPA

Members of the
American Institute
of Certified Public
Accountants

Members of the
Private Company
Practice Section

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Members of the City Council and Mayor
Provo City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Provo City Corporation, Utah (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Provo City Corporation, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 19-29, is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

November 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Provo City Corporation (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2006. The Management's Discussion and Analysis (MD&A) is designed to provide an overview of the City's financial activity. It is also intended to assist the reader in focusing on significant financial issues including identifying changes in the City's financial position (its ability to address the next and subsequent years challenges), identifying any material deviations from the approved budget, and identifying individual fund issues or concerns. Please read the MD&A in conjunction with the Transmittal Letter and the City's financial statements.

HIGHLIGHTS

Financial Highlights

The City's net assets increased by \$24,477,208. The governmental net assets increased by \$18,223,441 and the business-type net assets by \$6,253,767.

At the close of the current fiscal year, the assets of the City exceeded its liabilities by \$470,547,500. Of this amount, \$80,469,261 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, the City's governmental funds (reflected on a current financial resource basis) reported combined ending fund balances of \$40,815,198, an increase of \$9,675,576 in comparison with the prior year. The major increase in the ending fund balance was due to the road bond proceeds.

The General Fund (the primary operating fund), also reflected on a current financial resource basis, reported an increase of \$1,976,875 in fund balance. This change is due to a substantial increase in sales tax and also because of the proficient management of operating expenses.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$9,429,075, (or 25 percent) of total general fund budgeted revenue.

USING THIS ANNUAL REPORT

The financial statements focus on both the City as a whole in the government-wide statements, and on the major individual funds in the fund financial statements. (An explanation of major and nonmajor funds can be found in the note 1 of the financial statements of this report). Both perspectives allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the City's accountability.

Government-Wide Financial Statements

There are two basic statements in the *government-wide financial statements*: the *statement of net assets* and the *statement of activities*. These statements report information about the City as a whole using accounting methods similar to the full accrual method used by private sector companies. These statements also provide both long-term and short-term information about the overall financial status of the City.

The *statement of net assets* presents information on all assets and liabilities of the City. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the government changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. These changes are presented separately for each of the government's functional activities, (e.g., general government, public safety, and public works).

The government-wide financial statements are divided into two categories: *governmental activities* and *business-type activities*. Most of the basic services of the City are included in the *governmental activities*. This category includes services such as the police, fire, streets, parks divisions and general administration. Sales and use taxes, property taxes, and state and federal grants finance most of these activities. The *business-type activities* are similar to private sector type operations where the City charges fees to customers to cover all or most of the cost of the services provided. These services include the City's water, wastewater, airport, telecommunications, sanitation, storm drain, golf course and electric operations. Because internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fund Financial Statements

The *fund financial statements* provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required by State law or by bond covenants, while other funds are established by the City Council to manage money for a particular purpose. All of the funds of the City can be divided into two categories: *governmental funds* and *proprietary funds*.

There are two basic financial statements presented for *governmental funds*: the *balance sheet* and the *statement of revenues, expenditures, and changes in fund balances*. There is also a *statement of revenues, expenditures, and changes in fund balances – budget to actual* for the general fund and the special revenue funds. Governmental funds are used

to account for essentially the same functions reported as *governmental activities* in the *government-wide financial statements*. However, the *governmental fund financial statements* focus on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. To facilitate the comparison between *governmental funds* and *governmental activities*, both the *balance sheet* and the *statement of revenues, expenditures, and changes in fund balances* provide a reconciliation to the *government-wide statements*.

There are three basic financial statements for *proprietary funds*: the *statement of net assets*; the *statement of revenues, expenses, and changes in net assets*; and the *statement of cash flows*. The City maintains two types of proprietary funds: *enterprise funds* and *internal service funds*.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. However, they provide more detail and additional information, such as a statement of cash flows.

Internal Service Funds are used to report activities that result in the accumulation and allocation of costs of supplies and services provided and used internally among the City's various functions. The City uses internal service funds to account for employee benefits, insurance and claims, vehicle management and facility services. As mentioned above, internal service funds are included in the governmental activities in the government-wide statements.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 47-89 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplementary information, including the combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds, can be found on pages 91-130 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis examines the factors that affect the *net assets* (Table 1) and the *changes in net assets* (Table 2) of both the governmental and the business-type activities.

Net Assets

By far the largest portion of the City's total assets (78 percent) reflect its investment in capital assets (e.g., infrastructure, land, building, machinery and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The net asset section shows the amount the City has invested in capital assets, less any related outstanding debt used to acquire those assets. It

should be noted that since the capital assets themselves cannot be used to liquidate these liabilities, the resources needed to repay this debt must be provided from other sources.

Table 1 - Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current assets	\$69,481,747	\$55,416,200	\$49,086,775	\$56,239,867	\$118,568,522	\$111,656,067
Capital assets	266,528,893	240,757,385	210,316,134	207,342,505	476,845,027	448,099,890
Other assets	16,577,624	15,016,750	5,280,881	5,870,287	21,858,505	20,887,037
Total assets	352,588,264	311,190,335	264,683,790	269,452,659	617,272,054	580,642,994
Current liabilities	24,834,533	21,597,220	16,834,778	13,249,558	41,669,311	34,846,778
Long-term liabilities	34,586,190	27,567,001	70,469,053	74,605,280	105,055,243	102,172,281
Total liabilities	59,420,723	49,164,221	87,303,831	87,854,838	146,724,554	137,019,059
Net assets:						
Invested in capital assets, net of related debt	231,767,983	213,424,245	137,068,059	131,250,750	368,836,042	344,674,995
Restricted	7,847,758	6,047,508	13,394,439	28,217,337	21,242,197	34,264,845
Unrestricted	53,551,800	42,554,361	26,917,461	22,129,734	80,469,261	64,684,095
Total net assets	\$293,167,541	\$262,026,114	\$177,379,959	\$181,597,821	\$470,547,500	\$443,623,935

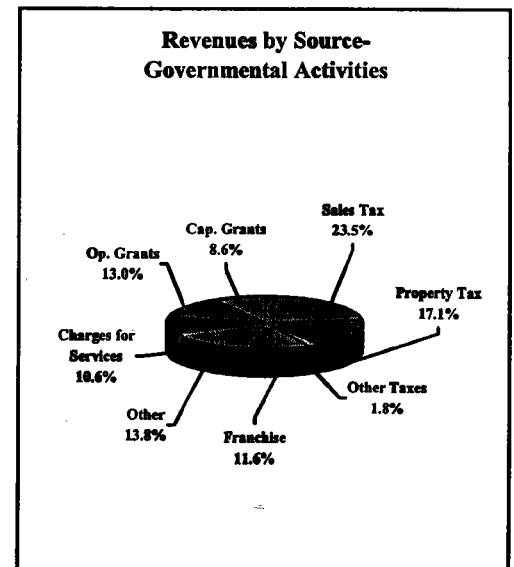
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, (Invested in capital assets, net of related debt, Restricted and Unrestricted) both for the government as a whole and for its separate governmental and business-type activities.

Changes in Net Assets

Governmental Activities

As shown below in Table 2 – Changes in Net Assets, governmental activities increased the City's net assets by \$18,223,441. The primary elements of this change are as follows.

In the governmental activities, sales and use taxes are the single greatest source of revenue for the City. In the current fiscal year, about one-fourth (24 percent) of the City's revenues from governmental activities came from sales and use tax.



Another 17.1 percent of the City's revenues is derived from property taxes. Revenue from property taxes increased \$163,722 during the 2006 fiscal year. This is a result of a small amount of residential and commercial growth in the City.

Table 2 - Changes in Net Assets

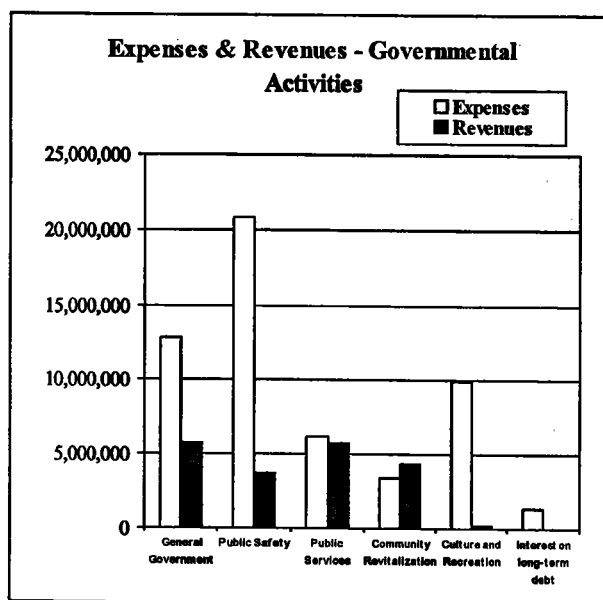
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$7,073,262	\$6,707,594	\$64,336,352	\$60,824,907	\$71,409,614	\$67,532,501
Operating grants and contributions	8,649,734	9,465,500	2,541,995	0	11,191,729	11,452,634
Capital grants and contributions	5,724,746	4,340,299	1,635,990	1,987,134	7,360,736	6,327,433
General revenues:						
Property taxes	11,391,076	11,227,354	0	0	11,391,076	11,227,354
Other taxes	24,488,047	21,753,296	0	0	24,488,047	21,753,296
Other	9,159,159	7,182,960	6,981,418	6,073,251	16,140,577	13,256,211
Total revenues	66,486,024	60,677,003	75,495,755	68,885,292	141,981,779	129,562,295
Expenses:						
General government	12,864,069	12,812,803	0	0	12,864,069	12,812,803
Public safety	20,805,782	19,656,764	0	0	20,805,782	19,656,764
Public services	6,236,947	6,500,531	0	0	6,236,947	6,500,531
Community revitalization	3,428,129	5,088,706	0	0	3,428,129	5,088,706
Culture and recreation	9,954,557	9,495,980	0	0	9,954,557	9,495,980
Interest on long-term debt	1,437,818	1,504,963	0	0	1,437,818	1,504,963
Golf course	0	0	1,160,726	1,085,625	1,160,726	1,085,625
Water	0	0	5,591,839	5,589,083	5,591,839	5,589,083
Sewer	0	0	4,085,814	4,217,370	4,085,814	4,217,370
Energy	0	0	43,113,489	41,452,688	43,113,489	41,452,688
Airport	0	0	1,133,052	1,010,936	1,133,052	1,010,936
Sanitation	0	0	2,601,563	2,655,833	2,601,563	2,655,833
Storm drain	0	0	1,545,929	1,442,114	1,545,929	1,442,114
Telecommunications	0	0	3,544,857	3,310,102	3,544,857	3,310,102
Total expenses	54,727,302	55,059,747	62,777,269	60,763,751	117,504,571	115,823,498
Increase in net assets before transfers	11,758,722	5,617,256	12,718,486	8,121,541	24,477,208	13,738,797
Transfers	6,464,719	(20,909,557)	(6,464,719)	20,909,557	0	0
Change in net assets	18,223,441	(15,292,301)	6,253,767	29,031,098	24,477,208	13,738,797
Net assets beginning						
As originally stated	262,026,114	277,189,071	181,597,821	120,028,041	443,623,935	397,217,112
Prior period adjustment	12,917,986	129,344	(10,471,629)	32,538,682	2,446,357	32,668,026
Net assets beginning, restated	274,944,100	277,318,415	171,126,192	152,566,723	446,070,292	429,885,138
Net assets ending	\$293,167,541	\$262,026,114	\$177,379,959	\$181,597,821	\$470,547,500	\$443,623,935

From the prior fiscal year, the revenue from sales and use taxes increased by \$1,956,838, or twelve (12) percent. The increase is the result of the overall strengthening of the national and local economies.

The General Government category includes expenditures for the following departments; City Council, Mayor's Office, Community Development, Economic Development, Human Resource, Finance, Legal, Information Systems and Non-departmental.

The Public Services category includes Road Projects, Engineering and Streets. The Public Safety category includes Police, Fire, and Emergency Response. The Community Revitalization category includes all fund expenditures in the Commercial Rehabilitation, Rental Rehabilitation, Community Development Block Grant, Housing Rehabilitation, Tax Increment, Housing Consortium and the Provo Business Development Fund.

As reported on the statement of activities in the government-wide statements, net cost of services provided by governmental activities totaled \$33,279,560.

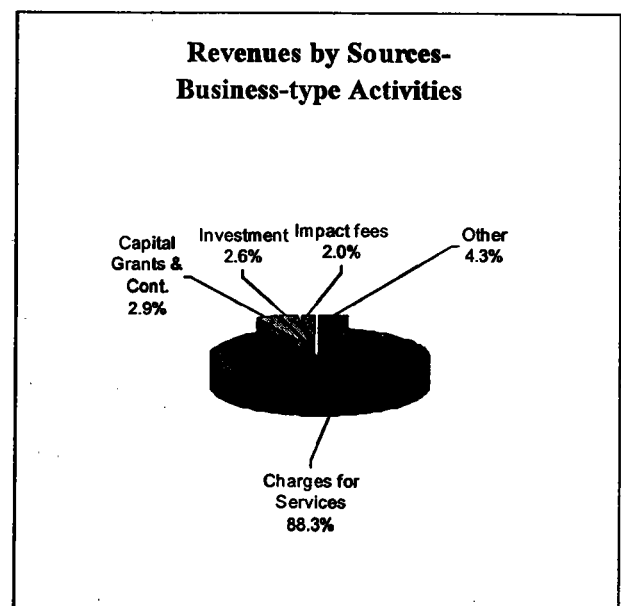


Public Safety, which includes fire and police, reports program expenses of \$20,805,782, while program revenues were \$3,779,420. The result is a net cost of services for Public Safety totaling \$17,026,362.

The net amount of revenue and expenses from Public Safety is 51% of

the total net cost of services provided by the City for governmental activities.

Net transfers between the governmental activities to the business-type activities totaled \$6,464,719.



Business-type Activities

Business-type activities increased the City's net assets by \$6,253,767. The primary elements of this change are as follows.

For the business-type activities, program and general revenues were \$12,718,476 greater than expenses (before operating transfers).

For business-type activities, 94 percent of the revenue came from charges for services.

The Energy Department generates 73 percent of the Program Revenues (before operating transfers) for business-type activities.

In the Energy Department, industrial and commercial sales showed slight increases over the previous fiscal year, residential sales showed a 5% increase over the previous fiscal year. Non operating revenue increased 16% from the previous fiscal year.

In the Telecom Department, the infrastructure is now complete. The City and retail partners are actively promoting the network to Provo City residents.

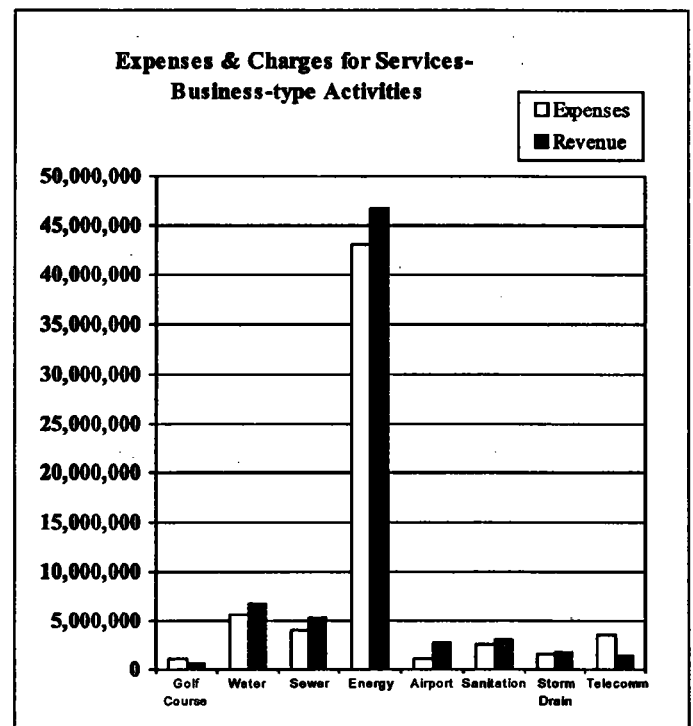
In the Sanitation Department, the City's blue can recycling program continues to grow. It increased 10%. There are currently 2,572 customers.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.



As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$40,815,198, an increase of \$9,675,576 from the prior year. The unreserved fund balance in the general fund is \$9,429,075. This amount represents funds not designated for a specific purpose. The remainder of fund balance is reserved to indicate that it is not available for new spending. This reserved amount represents funds that are already committed to liquidate contracts and purchase orders of the prior period, pay debt, or a variety of other restricted purposes.

During fiscal year 2006, construction began on the remodel of the City Center Fire Station that will house Fire Department Administration and the Community Development Department. The Provo Center for the Arts construction began during fiscal year 2006 with anticipated completion in fiscal year 2007. Road bonds of approximately \$5.9 million were issued for road projects throughout the City. Road construction began in the summer of 2006.

Proprietary Funds

The City's proprietary fund statements use basically the same accounting methods (full accrual) as those used in the government-wide statements. Because the accounting methods are similar, both statements provide the same types of information. However, the fund financial statements do present more detailed information about individual proprietary funds. The internal service funds primarily benefit the governmental funds. Therefore, the internal service funds revenues that exceed expenses are eliminated in the government-wide statements. The activity of the internal service funds is grouped with the governmental funds on the government wide statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets (Table 3) for its governmental and business-type activities as of June 30, 2006 and 2005 amounts to \$476,845,027 and \$448,099,899, respectively, (net of accumulated depreciation). The investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, library collection, roads, highways, sidewalks, bridges and construction in progress.

Table 3 – Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$153,293,102	\$139,865,546	\$38,753,668	\$38,744,100	\$192,046,770	\$178,609,646
Land easement	200,983	200,983	0	0	200,983	200,983
Water stock	0	0	\$2,322,756	2,322,756	2,322,756	2,322,756
Machinery and equipment	10,502,348	8,620,134	57,368,024	36,710,074	67,870,372	45,330,208
Library collection	1,201,514	1,195,778	0	0	1,201,514	1,195,778
Buildings	36,322,795	37,987,453	45,782,473	53,904,707	82,105,268	91,892,160
Land improvements	2,635,994	2,120,608	20,632,991	19,183,807	23,268,985	21,304,415
Infrastructure	49,771,933	43,486,917	43,741,904	46,427,834	93,513,837	89,914,751
Construction in progress	12,600,224	7,279,966	1,714,318	10,049,226	14,314,542	17,329,192
	<u>\$266,528,893</u>	<u>\$240,757,385</u>	<u>\$210,316,134</u>	<u>\$207,342,504</u>	<u>\$476,845,027</u>	<u>\$448,099,889</u>

The total increase in the City's investment in capital assets for the current fiscal year was \$28,745,138 (net of accumulated depreciation). The capital assets in governmental activities increased \$25,771,508 (net of accumulated depreciation). The capital assets in business-type activities increased \$2,973,630 (net of accumulated depreciation).

Major capital asset events during the current fiscal year included the following:

Business-type Activities

Water- wells	\$388,986
Water distribution systems improvements	118,046
Northwest storm drain	329,208
Airport parallel taxilane	1,832,962
Energy upgrades & new development	1,760,248
Telecom new development	22,973,115
Total	<u>\$27,402,565</u>

Governmental Activities

Land transactions	\$6,392,796
Center Street Harbor Bridge	159,481
Library collection	305,699
New vehicles	4,702,134
Provo Center for the Arts	455,552
Work in progress	1,800,000
Fire Department remodel - work in progress	714,628
Roads	1,926,672
Sidewalks	752,606
Total	<u>\$17,209,568</u>

Additional information on the City's capital assets can be found in Note 4 of this report.

Long-term Debt

At the end of the 2006 fiscal year, the City had long-term debt (Table 4) totaling \$113,613,759. The bonded debt outstanding was \$98,385,401. Of this amount, \$20,407,587 is general obligation debt backed by the full faith and credit of the government. The remainder of the City's bonded debt, in the amount of \$77,977,814, represents bonds secured solely by specified revenue sources, i.e., revenue bonds.

Long-term debt also includes capital leases in the amount of \$3,045,270, notes payable with an ending balance of \$6,578,312, and \$5,604,775 of accrued compensated absences.

The City issued approximately \$5.9 million in general obligations bonds for road projects, and \$2.1 million in RDA tax increment bonds for the Provo Center for the Arts.

\$3.1 million in capital leases was incurred to cover the purchase of new ambulances and fire apparatus.

Additional notes payable debt was incurred with purchase of the Friends of the Coalition building for \$950,000.

State statutes limit the amount of general obligation debt a governmental entity may issue up to four percent of its total assessed valuation. The current debt limitation for the City is \$194,175,000, which is significantly in excess of the City's outstanding general obligation debt of \$20,407,587. More detailed information regarding long-term debt can be found in note 7.

Table 4 – Long-term Debt

	Totals	
	2006	2005
Governmental:		
General Obligation Bonds	\$20,407,587	\$16,545,000
Revenue Bonds	4,778,419	3,180,000
Notes Payable	6,578,312	6,283,088
Capital Leases	2,996,591	1,325,052
Accrued Compensated Absences	3,946,130	3,923,453
Total governmental	38,707,040	31,256,593
Business-type		
Revenue Bonds	73,199,395	75,993,175
Capital Leases	48,679	98,580
Accrued Compensated Absences	1,658,645	1,537,291
Total Business-type	74,906,719	77,629,046
Total	\$113,613,759	\$108,885,639

BUDGETARY HIGHLIGHTS

General Fund Budgetary Highlights

The following is a brief review of significant budgeting changes from the original to the final budget for the major governmental funds:

- Resolution not to exceed \$670,000 for an employee bonus based upon savings from the previous fiscal year.
- Resolution appropriating \$4.5 million for purchases of fire and ambulance apparatus on a capital lease.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

When preparing the City's budget for the 2007 fiscal year, there were several economic factors and trends taken into consideration. Elements of the budget process include projecting inflation, and the impact the national economy has on local economic growth. The state and the local economy have seen slightly over 5% growth rate for the fiscal year ending June 30, 2006.

As a result of an improving economy, the 2007 annual budget includes a COLA of 2%. Revenue forecasts of key revenues, such as sales tax were increased. This increase will provide funds that are necessary to maintain services currently provided to the citizens.

REQUESTS FOR INFORMATION

The financial report is designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Provo City Finance Office, attention Finance Director, 351 West Center Street, Provo, Utah, 84601.



This page is intentionally left blank.

PROVO CITY CORPORATION
STATEMENT OF NET ASSETS
As of June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash	\$16,527,925	\$23,541,969	\$40,069,894
Restricted Cash	34,402,973	16,218,177	50,621,150
Accounts receivable	15,647,201	9,629,174	25,276,375
Inventory	137,709	1,952,394	2,090,103
Internal balances	2,765,939	(2,765,939)	0
Notes receivable	0	511,000	511,000
Total Current Assets	69,481,747	49,086,775	118,568,522
Noncurrent Assets:			
Capital Assets:			
Non Depreciable	166,094,309	42,790,742	208,885,051
Depreciable assets (net of depreciation)	100,434,584	167,525,392	267,959,976
Total Capital Assets	266,528,893	210,316,134	476,845,027
Other Assets:			
Notes receivable	16,237,005	0	16,237,005
Goodwill	0	1,136,881	1,136,881
Other	340,619	4,144,000	4,484,619
Total Other Assets	16,577,624	5,280,881	21,858,505
Total Noncurrent Assets	283,106,517	215,597,015	498,703,532
Total Assets	\$352,588,264	\$264,683,790	\$617,272,054
Liabilities and Net Assets			
Liabilities:			
Current Liabilities:			
Accounts payable	\$4,301,273	\$2,662,909	\$6,964,182
Accrued liabilities	1,856,178	6,957,697	8,813,875
Accrued interest payable	547,268	950,964	1,498,232
Customer deposits	4,753,288	1,825,541	6,578,829
Unearned revenue	9,255,676	0	9,255,676
Accrued compensated absences	190,816	82,932	273,748
Bonds, loans and leases payable	3,930,034	4,354,735	8,284,769
Total Current Liabilities	24,834,533	16,834,778	41,669,311
Long-term Liabilities:			
Accrued compensated absences	3,755,314	1,575,713	5,331,027
Lease payable	2,691,165	9,944	2,701,109
Notes payable	5,433,705	0	5,433,705
Bonds payable	22,706,006	68,883,396	91,589,402
Total Long-term Liabilities	34,586,190	70,469,053	105,055,243
Total Liabilities	59,420,723	87,303,831	146,724,554
Net Assets			
Invested in capital assets, net of related debt	231,767,983	137,068,059	368,836,042
Restricted for:			
Capital projects	7,306,056	8,789,442	16,095,498
Debt Service	541,702	4,604,997	5,146,699
Unrestricted	53,551,800	26,917,461	80,469,261
Total Net Assets	293,167,541	177,379,959	470,547,500
Total Liabilities and Net Assets	\$352,588,264	\$264,683,790	\$617,272,054

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.

PROVO CITY CORPORATION
Statement of Activities
For the year ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$12,864,069	\$ 2,604,356	\$ 3,138,580	(\$7,121,133)	\$ 0	(\$7,121,133)
Public safety	20,805,782	2,525,574	1,253,846	(17,026,362)	0	(17,026,362)
Public services	6,236,947	75	0	(512,126)	0	(512,126)
Community revitalization	3,428,129	448,161	4,068,466	1,088,498	0	1,088,498
Culture and recreation	9,954,557	1,495,096	188,842	(8,270,619)	0	(8,270,619)
Interest on long-term debt	1,437,818	0	0	(1,437,818)	0	(1,437,818)
Total governmental activities	54,727,302	7,073,262	8,649,734	(33,279,560)	0	(33,279,560)
Business-type activities:						
Golf course	1,160,726	693,322	0	0	(467,404)	(467,404)
Water	5,591,839	6,065,470	0	0	1,256,198	1,256,198
Sewer	4,085,814	4,666,340	0	0	1,232,046	1,232,046
Energy	43,113,489	46,570,363	0	0	3,658,777	3,658,777
Airport	1,133,052	159,532	2,541,995	0	1,568,475	1,568,475
Sanitation	2,601,563	3,008,500	0	0	406,937	406,937
Storm drain	1,545,929	1,703,885	0	0	157,956	157,956
Telecommunications	3,544,857	1,468,940	0	0	(2,075,917)	(2,075,917)
Total business-type activities	62,777,269	64,336,352	2,541,995	0	5,737,068	5,737,068
Total primary government	\$117,504,571	\$71,409,614	\$11,191,729	(33,279,560)	5,737,068	(27,542,492)
General revenues:						
Taxes:						
Property				11,391,076	0	11,391,076
Vehicle				1,192,626	0	1,192,626
Sales				15,592,149	0	15,592,149
Franchise				7,703,272	0	7,703,272
Impact fees				736,833	1,563,553	2,300,386
Investment earnings				2,410,980	1,921,986	4,332,966
Miscellaneous				6,011,346	3,495,879	9,507,225
Transfers				6,464,719	(6,464,719)	0
Total general revenues and transfers				51,503,001	516,699	52,019,700
Change in net assets				18,223,441	6,253,767	24,477,208
Net assets-beginning (restated)				274,944,100	171,126,192	446,070,292
Net assets-ending				\$293,167,541	\$177,379,959	\$470,547,500

The notes to the financial statements are an integral part of this statement.

See the accompanying independent auditors' report.



This page is intentionally left blank.

PROVO CITY CORPORATION

**Balance sheet
Governmental Funds
As of June 30, 2006**

	Governmental Fund Types				Total Governmental Funds
	General	Housing Consortium	Capital Improvement	Other Governmental Funds	
Assets:					
Cash	\$4,490,547	\$0	\$12,278	\$5,572,764	\$10,075,589
Restricted cash	8,213,578	771,421	11,154,078	14,263,896	34,402,973
Accounts receivable	9,120,991	316,592	1,343	6,185,493	15,624,419
Inventory	32,587	0	0	0	32,587
Loans receivable	0	10,221,733	0	3,912,798	14,134,531
Note receivable	0	0	0	120,000	120,000
Investment in land	0	0	0	210,816	210,816
Due from other funds	2,660,898	0	0	1,722,369	4,383,267
Total assets	\$24,518,601	\$11,309,746	\$11,167,699	\$31,988,136	\$78,984,182
Liabilities and Fund balances					
Liabilities:					
Accounts payable	\$1,218,181	\$120,478	\$1,519,357	\$999,801	\$3,857,817
Customer deposits	4,753,288	0	0	0	4,753,288
Deferred revenue	736,027	10,221,733	0	4,033,148	14,990,908
Unearned revenue	3,622,020	0	0	5,633,654	9,255,674
Accrued liabilities	964,634	0	29,981	80,941	1,075,556
Due to other funds	0	0	635,775	3,599,966	4,235,741
Total liabilities	11,294,150	10,342,211	2,185,113	14,347,510	38,168,984
Fund balances					
Fund Balance:					
Restricted for:					
B&C road funds	2,114,118	0	0	0	2,114,118
911 dispatch funds	808,191	0	0	0	808,191
Reserved for:					
Reserve for land held for resale	0	0	0	210,816	210,816
Reserve for encumbrances	873,067	0	0	2,444,064	3,317,131
Reserve for projects	0	0	0	4,059,044	4,059,044
Unreserved, reported in:					
General fund	9,429,075	0	0	0	9,429,075
Special revenue funds	0	967,535	0	8,205,747	9,173,282
Debt service funds	0	0	0	1,198,112	1,198,112
Capital projects funds	0	0	8,982,586	1,522,843	10,505,429
Total fund balances	13,224,451	967,535	8,982,586	17,640,626	40,815,198
Total liabilities and fund balances	\$24,518,601	\$11,309,746	\$11,167,699	\$31,988,136	\$78,984,182

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.

PROVO CITY CORPORATION
Reconciliation of the Balance Sheets of Governmental Funds
to the Statement of Net Assets
As of June 30, 2006

Total Fund balance	\$40,815,198
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the fund statements. (see note 18)	257,401,439
Note receivable is recorded on the entity-wide statements and not reported on the fund statements.	2,127,275
Accrued interest is recorded in the entity-wide statements but not reported in the fund statements.	(464,835)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, maintenance, vehicles and employee benefits to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	15,847,170
The governmental funds cumulative allocation of the internal service funds net loss based on use of service are included in the entity-wide statements.	(2,014,990)
Deferred revenue was reported in the funds to offset loan receivables. In the governmental activities, no expense or revenue is recorded when a loan is made or paid off leaving no deferred revenue liability associated with the loan receivable.	14,990,908
Accrued compensated absences are not due and payable in the current period and are not reported in the funds. (see note 18)	(3,770,306)
Long-term liabilities, including bonds payable are not due and payable in the current period and are not reported in the funds. (see note 18)	<u>(31,764,318)</u>
Net assets of governmental activities	<u>293,167,541</u>

PROVO CITY CORPORATION
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	General	Housing Consortium	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$27,769,691	\$0	\$0	\$8,109,431	\$35,879,122
Licenses and permits	1,484,043	0	0	0	1,484,043
Intergovernmental	4,466,768	1,770,458	96,709	2,373,383	8,707,318
Charges for services	3,266,696	0	144,463	845,662	4,256,820
Fines and forfeitures	1,055,571	0	0	0	1,055,571
Impact fees	0	0	736,833	0	736,833
Interest income	608,605	1,279	278,277	634,750	1,522,911
Loan principal repayments	230,816	513,855	0	594,694	1,339,365
Loan interest repayments	0	30,473	0	26,988	57,462
Lease income	0	0	0	726,905	726,905
Miscellaneous	2,795,764	0	585,411	3,058,985	6,440,158
Total revenues	41,677,954	2,316,065	1,841,693	16,370,798	62,206,508
Expenditures:					
Current:					
General government	10,951,448	0	0	5,610	10,957,058
Public safety	20,136,444	0	0	0	20,136,444
Public services	2,750,355	0	0	0	2,750,355
Culture and recreation	6,411,237	0	0	3,577,068	9,988,305
Community revitalization	0	2,226,686	0	5,705,025	7,931,711
Total current expenditures	40,249,484	2,226,686	0	9,287,703	51,763,873
Debt service:					
Interest expense	41,169	5,151	0	1,265,155	1,311,475
Rent/Lease	83,099	0	366	127,934	211,399
Principal on debt	0	0	0	6,582,818	6,582,818
Service fees on debt	0	0	0	29,127	29,127
Debt cost of issuance	0	0	0	95,058	95,058
Bond premium	0	0	0	(116,529)	(116,529)
Total debt service	124,268	5,151	366	7,983,563	8,113,348
Capital outlay:					
Capital outlay	3,945,790	0	4,441,397	636,152	9,023,339
Total expenditures	44,319,542	2,231,837	4,441,763	17,907,418	68,900,560
Excess (deficiency) of revenues over (under) expenditures	(2,641,588)	84,228	(2,600,070)	(1,536,620)	(6,694,052)
Other financing sources (uses):					
Transfers from other funds	8,570,864	0	775,000	1,931,613	11,277,477
Transfers to other funds	(3,952,401)	0	(64,756)	(1,814,628)	(5,831,785)
Proceeds from land sales	0	0	9,594	12,528	22,122
Issuance of debt	0	0	5,929,913	5,310,087	11,240,000
Total other financing sources (uses)	4,618,463	0	6,649,751	5,439,600	16,707,814
Net change in fund balances	1,976,875	84,228	4,049,681	3,902,980	10,013,764
Fund Balance beginning as originally stated	11,247,576	883,307	4,932,905	14,075,834	31,139,622
Prior period adjustment	0	0	0	(338,188)	(338,188)
Fund balance at beginning of year, as restated	11,247,576	883,307	4,932,905	13,737,646	30,801,434
Fund balance at end of year	\$13,224,451	\$967,535	\$8,982,586	\$17,640,626	\$40,815,198

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.

PROVO CITY CORPORATION
Reconciliation of the Statement of Revenues
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2006

Net change in fund balances--total governmental funds	\$10,013,764
Amounts reported for the governmental activities in the statements of activities are different because (see note 18):	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,703,203
In the Statement of Activities, only the gain on the sale is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net cost of the assets sold.	110,256
Revenues in the statement of activities that do not provide current financial resources are not reported in the fund statements.	105,949
Loans to recipients and principal payments from recipients are recorded as an expenditure and a revenue in the governmental funds. However, in the Statement of Net Assets, loans and principal payments are recorded as an increase and a decrease in the loan receivable.	360,775
Infrastructure that is contributed from developers is reported as a general revenue in the Statement of Activities, but is not in the fund statements.	5,724,746
Transfer of capital assets to internal service funds	(56,823)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal on debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which repayments exceed proceeds.	(4,785,975)
The governmental funds allocation of the internal service funds net loss is based on use of service included in the entity-wide statements.	(308,012)
Internal service fund are used by management to charge the costs of certain activities, such as insurance, maintenance, vehicles and employee benefits to individual funds. The net revenue (expense) associated with the internal service funds is reported with governmental activities	1,355,558
Change in net assets of governmental activities	<u>\$18,223,441</u>

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.

PROVO CITY CORPORATION
Budgetary Comparison Statement
General Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$24,780,391	\$24,780,391	\$27,769,691	\$2,989,300
Licenses and permits	1,185,775	1,185,775	1,484,043	298,268
Intergovernmental	3,003,096	4,504,953	4,466,768	(38,185)
Charges for services	2,972,353	3,001,139	3,266,696	265,557
Fines and forfeitures	1,034,017	1,034,017	1,055,571	21,554
Interest income	145,461	145,461	608,605	463,144
Loan principal repayments	0	560,116	230,816	(329,300)
Miscellaneous	2,554,384	2,885,264	2,795,764	(89,500)
Total revenues	35,675,477	38,097,116	41,677,954	3,580,838
Expenditures:				
Mayor's office	736,522	727,754	727,419	335
Municipal council	811,678	786,631	748,490	38,141
Personnel	1,011,928	1,025,075	1,023,511	1,564
Finance	1,320,511	1,279,433	1,258,944	20,489
Legal	1,133,951	1,622,335	1,594,133	28,202
Community development	2,341,171	2,363,463	2,211,488	151,975
Economic development	648,022	656,387	595,181	61,206
Information systems	1,868,023	1,908,248	1,891,775	16,473
Nondepartmental	1,723,392	1,709,593	1,531,663	177,930
Police	12,677,685	12,531,062	12,380,018	151,044
Fire	7,321,447	8,092,389	8,046,768	45,621
Streets	7,037,957	5,589,073	5,066,920	522,153
Engineering	1,330,437	1,343,209	1,282,662	60,547
Parks & recreation	5,872,012	6,081,129	5,960,570	120,559
Total expenditures	45,834,736	45,715,782	44,319,542	1,396,239
Excess (deficiency) of revenues over (under) expenditures	(10,159,259)	(7,618,666)	(2,641,588)	4,977,077
Other financing sources (uses):				
Transfers from other funds	6,110,643	7,698,117	8,570,864	872,747
Transfers to other funds	(2,375,113)	(4,067,740)	(3,952,401)	115,339
Total other financing sources (uses)	3,735,530	3,630,377	4,618,463	988,086
Net change in fund balance	(\$6,423,729)	(\$3,988,289)	1,976,875	\$5,965,163
Fund balance at beginning of year			11,247,576	
Fund balance at end of year			\$13,224,451	

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.

PROVO CITY CORPORATION
Budgetary Comparison Statement
Housing Consortium Fund
For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$1,603,220	\$1,603,220	\$1,770,458	\$167,238
Charges for services	1,579,275	1,579,275	0	(1,579,275)
Interest income	0	0	1,279	1,279
Loan principal repayments	420,087	420,087	513,855	93,768
Loan interest repayments	15,200	15,200	30,473	15,273
Total revenues	3,617,782	3,617,782	2,316,065	(1,301,717)
Expenditures:				
Operating expenditures:	5,041,329	2,633,266	2,231,837	401,429
Total expenditures	5,041,329	2,633,266	2,231,837	401,429
Excess (deficiency) of revenues over (under) expenditures	(1,423,547)	984,516	84,228	(900,288)
Net change in fund balance	(\$1,423,547)	\$984,516	84,228	(\$900,288)
Fund balance at beginning of year			883,307	
Fund balance at end of year			\$967,535	

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.

PROVO CITY CORPORATION
Balance Sheet
Proprietary Funds
As of June 30, 2006

Business-type Activities-Enterprise Funds

Assets	Golf Course	Business-type Activities-Enterprise Funds					Telecom	Other Enterprise Funds	Total	Governmental Activities-Internal Service Funds
		Water	Waste-Water	Energy	Airport					
Current Assets:										
Cash	\$0	\$581,830	\$5,329,267	\$13,857,495	\$639,112	\$1		\$3,134,264	\$23,541,969	\$6,452,336
Restricted cash	0	191,759	671,379	6,369,971	0	7,599,022		1,386,046	16,218,177	0
Accounts receivable	0	999,287	537,543	6,237,379	611,467	708,889		534,609	9,629,174	7,784
Inventory	0	653,882	0	824,977	0	473,535		0	1,952,394	105,122
Current portion note rec.	0	0	0	511,000	0	0		0	511,000	0
Current due from other funds	0	0	0	873,854	0	0		0	873,854	26,607
Total Current Assets	0	2,426,758	6,538,189	28,674,676	1,250,579	8,781,447		5,054,919	52,726,568	6,591,849
Noncurrent Assets:										
Capital Assets:										
Non Depreciable	25,065,446	5,822,051	674,152	4,841,998	5,824,626	130,930		431,539	42,790,742	0
Depreciable assets	2,542,450	32,748,714	20,025,957	47,273,090	19,704,185	35,858,470		9,372,526	167,525,392	9,127,454
Net Capital Assets	27,607,896	38,570,765	20,700,109	52,115,088	25,528,811	35,989,400		9,804,065	210,316,134	9,127,454
Due from other funds	0	0	0	980,000	0	0		0	980,000	1,232,858
Note receivable UMPA	0	0	0	4,144,000	0	0		0	4,144,000	0
Goodwill	0	0	0	0	0	1,136,881		0	1,136,881	0
Total Noncurrent Assets	27,607,896	38,570,765	20,700,109	57,239,088	25,528,811	37,126,281		9,804,065	216,577,015	10,360,312
Total Assets	\$27,607,896	\$40,997,523	\$27,238,298	\$85,913,764	\$26,779,390	\$45,907,728		\$14,858,984	\$269,303,583	\$16,952,161

Note: This statement is continued on the next page.

PROVO CITY CORPORATION
Balance Sheet
Proprietary Funds
As of June 30, 2006

Business-type Activities-Enterprise Funds

	Golf Course	Water	Waste-Water	Energy	Airport	Telecom	Other Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Liabilities & Net Assets									
Liabilities:									
Accounts payable	\$29,733	\$489,529	\$182,668	\$297,773	\$231,371	\$1,337,252	\$94,581	\$2,662,907	\$487,891
Accrued liabilities	12,128	67,590	43,893	6,738,148	5,167	46,885	43,886	6,957,697	780,621
Due to other funds	61,001	0	0	0	0	812,853	0	873,854	26,607
Customer deposits	0	179,906	0	1,644,235	1,400	0	0	1,825,541	0
Accrued interest payable	99	25,824	0	179,605	0	719,631	25,805	950,964	38,003
Accrued compensated absences	1,029	18,592	11,375	36,864	1,073	3,830	10,169	82,932	8,791
Bonds, leases and loans payable	38,735	161,000	0	2,475,000	0	1,285,000	395,000	4,354,735	305,426
Total Current Liabilities	142,725	942,441	237,936	11,371,625	239,011	4,205,451	569,441	17,708,630	1,647,339
Long-term Liabilities									
Due to other funds	147,526	0	0	0	0	1,596,429	0	1,743,955	616,429
Accrued compensated absences	19,550	353,242	216,133	700,409	20,394	72,770	193,215	1,575,713	167,033
Notes payable	0	0	0	0	0	0	0	0	0
Lease payable	9,944	0	0	0	0	0	0	9,944	2,691,165
Bonds payable	0	1,281,800	0	23,497,843	0	37,696,607	6,407,146	68,883,396	0
Total Long-term Liabilities	177,020	1,635,042	216,133	24,198,252	20,394	39,365,806	6,600,361	72,213,008	3,474,627
Total Liabilities	319,745	2,577,483	454,069	35,569,877	259,405	43,571,257	7,169,802	89,921,638	5,121,966
Net Assets									
Invested in capital assets, net of related debt	27,559,217	37,127,965	20,700,109	26,142,245	25,528,811	(2,992,207)	3,001,919	137,068,059	6,130,863
Restricted for debt service	0	0	0	3,941,892	0	1,927,250	735,000	6,604,142	0
Unrestricted	(271,066)	1,292,075	6,084,120	20,259,750	991,174	3,401,428	3,952,263	35,709,744	5,699,332
Total Net Assets	27,288,151	38,420,040	26,784,229	50,343,887	26,519,985	2,336,471	7,689,182	179,381,945	11,830,195
Total Liabilities & Net Assets	\$27,607,896	\$40,997,523	\$27,238,298	\$85,913,764	\$26,779,390	\$45,907,728	\$14,858,984	\$269,303,583	\$16,952,161

Net assets (proprietary funds)

\$179,381,945

Amounts reported for business activities in the statement of net assets are different because:

Internal service funds are used by management to charge the cost of certain activities, such as insurance, maintenance, vehicles and employee benefits to individual funds. The net revenue (expense) associated with the internal service fund was allocated based on use of service to the individual funds in the statement of activities.

(2,001,986)

Net assets (proprietary funds/entity-wide)

\$177,379,959

The notes to the financial statements are an integral part of this statement. See the accompanying independent auditors' report.

PROVO CITY CORPORATION
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2006

	Business-type Activities-Enterprise Funds							Governmental Activities	
	Golf Course	Water	Waste-Water	Energy	Airport	Telecom	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues:									
Charges for services	\$686,559	\$6,065,470	\$4,666,340	\$46,793,173	\$0	\$1,426,124	\$4,712,385	\$64,350,051	\$7,204,237
Fees & rentals	0	0	0	0	159,532	0	0	159,532	0
Lease income	6,763	0	0	70,000	0	42,816	0	119,579	1,161
State tax reimbursement	0	0	0	0	15,251	0	0	15,251	0
Miscellaneous	1,619	154,700	230,542	2,374,704	70,500	625,121	38,694	3,495,880	516,350
Total operating revenues	694,941	6,220,170	4,896,882	49,237,877	245,283	2,094,061	4,751,079	68,140,293	7,721,748
Operating expenses:									
Salaries and wages	222,276	1,473,854	1,125,057	3,851,755	121,523	865,261	1,090,903	8,750,629	901,362
Employee benefits	77,526	620,238	509,681	1,652,459	52,867	349,624	444,985	3,707,380	398,889
Operating expenses	492,007	2,615,399	1,326,697	32,552,884	206,199	1,024,276	2,104,216	40,321,678	5,467,765
Depreciation	351,631	809,443	1,104,095	3,265,165	747,343	1,298,045	351,981	7,927,703	2,566,310
Amortization of goodwill	0	0	0	0	0	78,406	0	78,406	0
Total operating expenses	1,143,440	5,518,934	4,065,530	41,322,263	1,127,932	3,615,612	3,992,085	60,785,796	9,334,326
Operating income (loss)	(448,499)	701,236	831,352	7,915,614	(882,649)	(1,521,551)	758,994	7,354,497	(1,612,578)
Nonoperating revenues (expenses)									
Impact fees	0	457,998	356,826	469,321	0	0	279,408	1,563,553	0
Federal grants	0	0	0	0	2,370,342	0	0	2,370,342	0
State grant	0	0	0	0	156,401	0	0	156,401	0
Interest income	(3,317)	32,625	226,067	720,290	30,869	471,576	151,065	1,629,175	279,708
Interest expense	(9,520)	(2,700)	0	(1,512,801)	0	0	(53,438)	(1,578,459)	(121,741)
Gain (loss) on disp. of assets	0	(19,365)	14,048	(1)	0	0	0	(5318)	1,018,605
Total nonoperating revenues (expenses)	(12,837)	468,558	596,941	(323,191)	2,557,612	471,576	377,035	4,135,694	1,176,572
Income (loss) before contributions and transfers	(461,336)	1,169,794	1,428,293	7,592,423	1,674,963	(1,049,975)	1,136,029	11,490,191	(436,006)

Note: This statement is continued on the next page.

PROVO CITY CORPORATION
Statement of Revenues, Expenses and
Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2006

Business-type Activities-Enterprise Funds

	Golf Course	Water	Waste-Water	Energy	Airport	Telecom	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
Capital contributions	0	782,567	651,520	201,904	0	0	0	1,635,991	0
Transfers in	194,445	767,358	774,946	3,887,790	123,004	14,070,119	21,857	19,839,519	4,110,187
Transfers out	0	(923,108)	(1,780,769)	(9,033,167)	(62,634)	(14,159,645)	(344,915)	(26,304,238)	(3,034,337)
Change in Net Assets	(266,891)	1,796,611	1,073,990	2,648,950	1,735,333	(1,139,501)	812,971	6,661,463	639,844
Net Assets beginning as originally stated	27,555,042	42,957,168	29,587,406	47,910,289	24,790,652	3,475,972	6,915,579	183,192,108	11,274,296
Prior period adjustments	0	(6,333,739)	(3,877,167)	(215,352)	(6,000)	0	(39,368)	(10,471,626)	(83,945)
Net Assets at beginning of year, as restated	27,555,042	36,623,429	25,710,239	47,694,937	24,784,652	3,475,972	6,876,211	172,720,482	11,190,351
Net Assets at end of year	\$27,288,151	\$38,420,040	\$26,784,229	\$50,343,887	\$26,519,985	\$2,336,471	\$7,689,182	\$179,381,945	\$11,830,195

Change in net assets (proprietary funds)

Amounts reported for business activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance, maintenance, vehicles and employee benefits to individual funds. The net revenue (expense) associated with the internal service funds was allocated based on use of service to the individual funds in the statement of activities.

Change in net assets (statement of activities)

(407,696)
\$6,253,767

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.

PROVO CITY CORPORATION
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

Business-type Activities/Enterprise Funds

	Golf Course	Water	Waste-water	Energy	Airport	Telecom	Other Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:									
Receipts from customers and users	\$694,941	\$5,994,350	\$4,879,556	\$48,892,647	(\$69,155)	\$1,756,434	\$4,702,059	\$66,850,832	\$7,724,992
Payments to suppliers	(494,364)	(2,681,144)	(1,219,590)	(32,793,219)	11,846	(1,978,246)	(2,170,829)	(41,325,566)	(4,487,637)
Payments to employees	(289,438)	(2,045,152)	(1,660,049)	(2,646,465)	(178,850)	(1,188,919)	(1,509,243)	(9,518,116)	(1,217,229)
Payments for claims	0	0	0	0	0	0	0	0	(1,358,628)
Net cash provided (used) by operating activities	(88,851)	1,268,054	1,999,917	13,452,963	(236,159)	(1,410,731)	1,021,987	16,007,150	661,498
Cash flows from noncapital financing activities:									
Loans due from other funds	0	0	808,630	(1,828,987)	0	0	2,091,464	1,071,107	0
Loans due to other funds	0	0	0	(10,417)	0	0	(6,250)	(16,667)	0
Transfers from other funds	194,445	767,358	774,946	3,887,790	123,004	14,070,119	21,857	19,839,519	4,110,187
Transfers to other funds	0	(923,108)	(1,780,769)	(9,033,167)	(62,634)	(14,159,645)	(344,915)	(26,304,238)	(3,034,337)
Net cash provided (used) by noncapital financing activities	194,445	(155,750)	(197,193)	(6,984,781)	60,370	(89,526)	1,762,156	(5,410,279)	1,075,850
Cash flows from capital and related financing activities:									
Impact fees	0	457,998	356,826	469,321	0	0	279,408	1,563,553	0
Federal and state grants	(7,495)	0	0	0	2,526,743	0	0	2,519,248	0
Payments for capital acquisitions	0	(465,794)	(535,096)	(2,772,169)	(1,839,659)	(13,835,717)	(413,035)	(19,861,470)	(5,514,903)
Transfers of capital assets from other funds	0	10,813	0	3,407	62,634	0	15,457	92,311	0
Proceeds from sale of fixed assets	0	2,367	32,000	0	0	0	0	34,367	1,687,056
Proceeds from issuance of lease payable	0	0	0	0	0	0	0	0	3,155,882
Loans due to other funds	(35,308)	(746,556)	0	0	0	317,818	0	(464,046)	643,036
Loans due from other funds	0	0	0	0	0	0	0	0	(1,208,465)
Payments on notes receivable	0	0	0	463,000	0	0	0	463,000	0
Principal paid on notes payable	0	(157,000)	0	0	0	0	0	(157,000)	0
Principal paid on bonds payable	0	0	0	(2,360,000)	0	0	(380,000)	(2,740,000)	0
Interest paid on bonds payable	0	(2,069)	0	(1,492,664)	0	0	(43,678)	(1,538,411)	0
Principal paid on lease payable	(49,901)	0	0	0	0	0	0	(49,901)	(1,336,300)
Interest paid on lease payable	(13,160)	0	0	0	0	0	0	(13,160)	(121,211)
Net cash provided (used) by capital and related financing activities	(105,864)	(900,241)	(146,270)	(5,689,105)	749,718	(13,517,899)	(541,848)	(20,151,509)	(2,694,905)
Cash flows from investing activities:									
Receipts of interest	0	32,625	226,067	761,582	30,869	484,868	151,065	1,687,076	279,707
Net cash provided by investing activities	0	32,625	226,067	761,582	30,869	484,868	151,065	1,687,076	279,707
Net increase (decrease) in cash	(300)	244,688	1,882,521	1,540,659	604,798	(14,333,288)	2,393,360	(7,867,562)	(677,850)
Cash at beginning of year	300	528,901	4,118,125	18,686,807	34,314	22,132,311	2,126,950	47,627,708	7,130,186
Cash at end of year	\$0	\$773,589	\$6,000,646	\$20,227,466	\$639,112	\$7,599,023	\$4,520,310	\$39,760,146	\$6,452,336
Cash at end of year consists of:									
Cash	\$0	\$581,830	\$5,329,267	\$13,857,495	\$639,112	\$1	\$3,134,264	\$23,541,969	\$6,452,336
Restricted cash	0	191,759	671,379	6,369,971	0	7,599,022	1,386,046	16,218,177	0
Total Cash	\$0	\$773,589	\$6,000,646	\$20,227,466	\$639,112	\$7,599,023	\$4,520,310	\$39,760,146	\$6,452,336

Note: This statement is continued on the following page.

PROVO CITY CORPORATION
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

Business-type Activities/Enterprise Funds

	Golf Course	Water	Waste-water	Energy	Airport	Telecom	Other Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:									
Operating income (loss)	(448,499)	\$701,236	\$831,352	\$7,915,614	(\$882,649)	(1,521,551)	\$758,994	\$7,354,497	(\$1,612,578)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:									
Depreciation	351,631	809,443	1,104,095	3,265,165	747,343	1,298,045	351,981	7,927,703	2,566,310
Amortization	0	0	0	0	0	78,406	0	78,406	0
Changes in assets and liabilities:									
Decrease (increase) in accounts receivable	0	(356,710)	(17,326)	(445,516)	(314,438)	(337,627)	(49,019)	(1,520,636)	3,244
Decrease (increase) in inventory	0	(355,238)	0	(110,957)	0	322,261	0	(143,934)	35,017
Increase (decrease) in accounts payable	(2,374)	289,493	107,107	(129,372)	218,045	(1,276,231)	(66,615)	(859,947)	(143,517)
Increase (decrease) in accrued liabilities	(414)	13,995	2,087	2,787,401	510	10,254	4,703	2,818,536	(198,657)
Increase (decrease) in customer deposits	0	130,890	0	100,281	0	0	0	231,171	0
Increase (decrease) in accrued compensated absences	10,775	34,945	(27,398)	70,347	(4,970)	15,712	21,943	121,354	11,679
Net cash provided (used) by operating activities	(\$88,881)	\$1,268,054	\$1,999,917	\$13,452,963	(\$236,159)	(\$1,410,731)	\$1,021,987	\$16,007,150	\$661,498
Noncash investing, capital, and financing activities:									
Capital asset trade-ins	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$660,830
Contributed capital	\$0	\$838,998	\$734,931	\$201,903	\$0	\$0	\$0	\$1,775,832	\$0

The notes to the financial statements are an integral part of this statement.
See the accompanying independent auditors' report.



This page is intentionally left blank.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies	
A. Reporting Entity	48
B. Financial Statement Presentation	50
C. Reconciliation of Government-wide/Fund Financial Statements	54
D. Cash & Investments	54
E. Interfund Transactions	54
F. Inventories	55
G. Prepaid Items	55
H. Restricted Assets	55
I. Capital Assets	55
J. Compensated Absences	57
K. Long-term Obligations	57
L. Fund Equity	57
M. Bond Discounts/Issuance Costs	58
N. Estimates	58
O. Use of Restricted/Unrestricted Assets	58
2. Deposits and Investments	58
3. Receivables	60
4. Capital Assets	62
5. Risk Management	65
6. Capital Leases	66
7. Long-term Debt	67
8. Restatement of Fund Equity/Net Assets	71
9. Interfund Assets and Liabilities	72
10. Contingent Liabilities	74
11. Joint Ventures	75
12. Post-employment	79
13. Retirement Plans	80
14. Restrictions on Fund Balances	84
15. Major Utility Customer	85
16. Redevelopment Agency	86
17. Stewardship, Compliance and Accountability	87
18. Reconciliation of Balance Sheets of Governmental Funds to Statement of Net Assets	88
19. Interest Expense	89

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Provo City Corporation (City) was incorporated on February 6th of 1851, and is a political subdivision of the State of Utah. The City is governed by an elected mayor and seven elected council members. The City provides services to residents and businesses in a multitude of areas including police and fire protection, parks and recreation, economic development, planning and zoning, water, sewer treatment, airport, telecommunications, golf course, energy and general administrative services.

As required by generally accepted accounting principles, this report presents the financial information of both Provo City Corporation (the primary government) and its component units. The City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability has been set forth in the Governmental Accounting Standards Board's (GASB) Statement No. 14. These criteria include (1) appointing a voting majority of an organization's governing body, (2) the ability of the City to impose its will on that organization and, (3) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

Blended Component Units

Blended component units are entities which are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They have the same governing board and provide services almost entirely to the City. They are reported as funds of the City. These are organizations for which the City is financially accountable, and the relationship with the City is significant enough that exclusions would possibly lead to misleading or incomplete Financial Statements. To obtain separate individual component unit financial statements, please send the request to Provo City, c/o Finance Department, PO Box 1849, Provo, UT 84603-1849.

Included in this report are the following blended component units.

The Provo City Redevelopment Agency was established to administer and disburse funds which are received through the federal office of Housing and Urban Development. The board of directors consists of the serving members of the City's municipal council. The bond issuance authorizations are approved by the City's municipal council, and the legal liability for those bonds remains with the City. The Agency is reported as a special revenue fund.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

The **Municipal Building Authority of Provo City, Utah**, was created March 30, 1989, by the City under the provisions of the Utah Municipal Building Authority Act. The Authority's purpose is to acquire, construct, improve or extend one or more projects and finance the costs of such projects on behalf of the City. The Municipal Building Authority has issued lease revenue bonds to provide funds to the Provo City/Utah County Ice Sheet Authority for construction of a covered ice sheet facility at Seven Peaks. The City's municipal council approves the bond issuance authorizations, and the legal liability for those bonds remains with the City. The Municipal Building Authority is reported as a debt service fund.

The **Provo City Stormwater Service District** serves all the citizens of the government and is governed by a board of directors consisting of the City's municipal council. The rates for user charges and bond issuance authorizations are approved by the City's municipal council, and legal liability remains with the City. The District is reported as an enterprise fund.

The **Provo Foundation** was created April 17, 1984, by Provo City to provide for the receipt of gifts to the City and was incorporated October 10, 1987. It has received a tax exempt status under section 501 (a) as an organization described in section 501 (c) (3) of the Internal Revenue Code. The Board of Trustees is appointed by the City's municipal council and consists of the Mayor, Council Chairperson, and prominent individuals in the community. The Foundation is reported as a special revenue fund.

Related Organizations

A related organization is an organization for which the City is not financially accountable (because it does not have a financial benefit relationship) even though the City appoints a voting majority of the organizations governing board.

Related organizations include the following.

The **Provo City Housing Authority Board of Directors** is selected by the City's municipal council from a list of qualified applicants. The Board of Directors controls personnel, management, finances and budget.

The **Metropolitan Water District of Provo Board of Directors** is selected by the City's municipal council from a list of qualified applicants. The Board of Directors controls personnel, management, finances and budget. The Metropolitan Water District of Provo was created under UCA section 17A-2-800. Because the majority of the board is appointed, it is treated as a related organization, not as a component unit.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

B. Financial statement presentation, measurement focus and basis of accounting

As of and for the year ended June 30, 2002, the City implemented the Governmental Accounting Standards Board pronouncements No. 34, 36, 37 and 38. These pronouncements are related to the new financial reporting requirements for all state and local governments. The most significant changes can be found in the Notes to the Basic Financial Statements, the newly required Management's Discussion and Analysis and, most importantly, the Basic Financial Statements. A more detailed explanation of the Basic Financial Statements follows.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements, i.e., the statement of net assets and the statement of activities, report information on all of the nonfiduciary activities of the primary government and its component units. Fiduciary funds are excluded from the government-wide financial statements because these assets cannot be used to address activities and obligations of the government. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are amounts that are reasonably equivalent in value to the interfund services provided and other charges between the government's enterprise fund functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The government-wide statement of net assets presents information on all of the City's assets and liabilities, and the difference between the two is reported as net assets. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Indirect costs in the governmental activities that are not associated directly with a function or program in the City are included in the general government activities in the entity-wide statements.

Fund Financial Statements

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The City's funds are organized into two major categories: governmental and proprietary. Separate financial statements are provided for each of these categories. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating (general) fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenue or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

As per the above criteria, the City's general fund and housing consortium fund are major funds. The City may also report other individual governmental funds as major funds if they are determined to be of particular importance to financial statement users. The City has determined that presenting the capital improvement fund as a major fund provides valuable information to financial statement users. All other governmental funds are non-major.

The following is a classification of the City's individual funds.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Governmental Fund Types

The General Fund is the primary fund of the City. This fund is used to account for all financial resources not accounted for in other funds.

Special revenue funds are used by the City to account for revenues derived from specific taxes, licenses and intergovernmental grants which are designated to finance particular functions or activities of the City.

Debt service funds are used to account for the accumulation of resources for the payment of general obligation bonds and for the accumulation of special assessments for the payment of special improvement bonds.

Capital project funds are used to account for resources designated to construct governmental capital assets which may require more than one fiscal year for completion.

Proprietary Fund Types

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that (1) the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or, (2) the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The existing enterprise funds account for construction; operation; maintenance; related debt; and property, plant and equipment within each fund. The City-owned airport, energy utility, golf course, telecommunications, water utility, and wastewater utility are classified as major funds. The storm drain and sanitation are non-major enterprise funds.

Internal service funds are used to account for the financing of services provided by one department to other departments within the City. The City maintains internal service funds for employee benefits, insurance/claims, fleet management, computer replacement and facility maintenance.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

The government-wide financial statements and the fund financial statements for proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Major revenues susceptible to accrual are property tax, sales tax, franchise, and utility receivables.

Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements, other than proprietary funds, are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

As under accrual accounting, expenditures, including capital outlay, generally are recorded when a liability is incurred. Expenditures related to principal and interest on general long-term debt that has not matured, compensated absences, and claims and judgments are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds and are subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

C. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements (see pages 35, 37).

D. Cash and Investments

Cash includes amounts in demand deposits, sweep accounts, escrows with trustees, and the State Treasurer's investment pool, as well as short-term investments with maturities of three months or less (cash equivalents) such as money market accounts and certificates of deposit. Investments are stated at fair value. Deposits and investments appear as cash, restricted cash and restricted assets on the balance sheets.

E. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "due from other funds" or "due to other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

When an internal service fund provides goods or services to another fund, redundancy is inherent because expenditures/expenses are reported in both the fund providing and the fund receiving the goods or services. Since internal service funds primarily benefit governmental funds, they are included in the governmental activities in the entity-wide statements. The basic assumption for internal service funds is that they operate on a breakeven basis. Accordingly, any net profit or loss has been allocated to the functions that benefited from the goods or services provided based on proportionate benefit. Any residual balances outstanding between the governmental activities

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

and business-type activities are reported in the government-wide financial statements as "internal balances."

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

F. Inventories

Inventories of supplies for the proprietary fund types are stated at cost and are accounted for on a current cost basis. Inventory items within the proprietary funds are considered expenses when used (consumption method). Inventory items in the governmental funds are considered expenditures when purchased (purchase method).

G. Prepaid Items

Any payments made to vendors on or before June 30, 2006, for services performed or received after that date are recorded as prepaid items.

H. Restricted Assets

Net assets are reported as restricted on the entity-wide statements when constraints placed on net asset use are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or, (b) imposed by law through constitutional provisions or enabling legislation. As an example, certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

On the fund financial statements, cash is often restricted to a particular use due to statutory or budgetary requirements and is classified as "restricted cash" on the balance sheet.

I. Capital Assets

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

In the government-wide financial statements and in the fund financial statements for proprietary funds, capital asset expenditures are treated as capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g., roads, bridges, sidewalks, and similar items. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. The GASB statement No. 34 requires capitalization of infrastructure, but permits an optional four-year delay for implementation of the infrastructure capitalization. The implementation of this portion of GASB No. 34 was not delayed for the majority of the City's assets. Most of the City's assets (with acquisition dates as far back as June 30, 1980) were valued at actual historical cost (when available) or estimated historical cost and capitalized in the 2002 fiscal year.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Bridges	60
Sidewalks	50
Water & Sewer lines	75
Buildings (new)	40
Buildings (used)	30
Traffic signals	30
Roads	20
Building improvements	20
Land improvements	20
Fire trucks	10
Communication lines and equipment	7
Machinery and equipment	7
Library books	6
Furniture	5
Vehicles	5
Office equipment	5
Computer equipment	5
Computer software	3
Garbage trucks	7

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

J. Compensated Absences

City policy provides for employees to be paid 100 percent of the unused portion of vacation leave and 25 percent of the unused portion of sick leave (except that employees with twenty years or more of full-time service receive 50 percent), when they retire or terminate employment. In the entity-wide statements and the proprietary funds, a provision has been made to account for all of the earned, unused vacation leave and sick pay that would be paid to an employee if he or she were to leave the City on June 30, 2006. The number of years of service determines whether the employee will receive 25 percent or 50 percent of unused sick pay balance. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, bonds payable and capital leases.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and the payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

M. Bond Discounts/Issuance Costs

In the government-wide statements, these costs are deferred and amortized over the life of the bonds. For governmental fund types in the fund financial statements, the bond discount and issuance costs are expensed in the period they are incurred.

N. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that effect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains detailed accounting records for individual funds, and it also maintains a cash and investment pool that is available for use by all funds, thereby maximizing the interest earnings for all funds. Each fund type's portion of this pool is included in the statement of net assets as "Cash" and "Restricted Cash." Also included are deposits and investments held by the Trustees on various bond issues. The basis of investments is cost. Deposits and investments are not required to be collateralized by state statute.

There are no restrictions or material differences in the types of investments that can be made for different funds, fund types or component units, provided such investments meet the requirements of the Utah Money Management Act. According to the general indenture instructions for all outstanding bond issues, bond proceeds may be invested and reinvested in investment securities that mature no later than the date on which the monies on deposit therein will be needed for the purposes of such funds.

Investments of monies in Debt Service Reserve Accounts must mature no later than five years from the date of such investments.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 2- DEPOSITS AND INVESTMENTS (continued)

Deposits. The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. Following is a discussion of the city's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that, in the event of a bank failure, the local government's deposits may not be recovered. The City policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$3,524,182 of the City's bank balance of \$3,624,182 was uninsured and uncollateralized.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The City policy for limiting the credit risk of investments is to comply with the Money Management Act.

The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), and external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an Investment Company and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the City had investments of \$73,263,832 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the portion of availability of the funds to be invested.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 3 - RECEIVABLES

Accounts receivable are recorded in the general, special revenue, capital projects, enterprise and trust funds. The Energy Fund collects receivables for all utility enterprise funds. It remits the entire amount of the Water, Wastewater, Sanitation, and Storm Drain Funds' collections each month to the respective fund. At year-end each fund is charged for its pro-rata share of uncollectible accounts receivable. Adjustments to allowance for doubtful accounts increase or decrease the related revenue accounts.

Accounts receivable and the associated allowances for uncollectible accounts, at June 30, 2006, consist of the following:

Governmental Funds

	General	Capital Improvement	Housing Consortium	Nonmajor Funds	Total
Receivables	\$ 10,542,160	\$ 1,343	\$ 316,592	\$ 6,193,099	\$ 17,053,194
Less: allowance for Uncollectibles	(1,421,169)	0	0	(7,606)	(1,428,774)
Net total receivables	<u>\$ 9,120,991</u>	<u>\$ 1,343</u>	<u>\$ 316,592</u>	<u>\$ 6,185,493</u>	<u>\$ 15,624,419</u>
Increase (decrease) Revenue related to uncollectibles	\$ (172,066)	\$ 0	\$ 0	\$ 12,125	\$ (159,941)

Proprietary Funds

	Water	Waste Water	Energy	Airport	Telecom	Nonmajor Funds	Total
Receivables	\$ 1,020,906	\$ 554,157	\$ 6,400,487	\$ 613,442	\$ 726,453	\$ 550,692	\$ 8,845,230
Less: allowance for Uncollectibles	(21,619)	(16,614)	(163,107)	(1,975)	(17,564)	(16,084)	(215,344)
Net total receivables	<u>\$ 999,287</u>	<u>\$ 537,543</u>	<u>\$ 6,237,379</u>	<u>\$ 611,467</u>	<u>\$ 708,889</u>	<u>\$ 534,609</u>	<u>\$ 9,629,174</u>
Increase (decrease) Revenue related to uncollectibles	\$ (14,788)	\$ (11,103)	\$ 61,094	\$ 20	\$ 5,535	\$ (8,477)	\$ 47,069

Property taxes are levied on January 1, giving the City legal claim on that date. The taxes are due on November 1 and are delinquent after November 30 of each year. Property taxes are collected by the Utah County Treasurer and remitted to the City shortly after collection. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as unearned revenue.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 3 – RECEIVABLES (continued)

Property taxes that were levied on January 1 of 2006 and are due in November of 2006 are budgeted for the 2007 fiscal year. Even though they are intended to fund the 2007 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered as susceptible to accrual as revenue of the current period.

All other revenue items are considered to be measurable and available only when cash is received by the City. The revenue recognized on these receivables is deferred until the cash is collected in the governmental fund statements.

The City has several lending programs intended to revitalize neighborhoods and business districts. These programs are funded through state and federal grants. The loans to citizens and businesses represent the majority of the notes receivable balance on the financial statements.

Notes receivable and the associated allowances for uncollectible accounts, at June 30, 2006, consist of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Business & citizen assistance loans	\$ 14,134,531	\$ 0	\$ 14,134,531
Less: allowance for			
Uncollectibles	(627,526)	0	(627,526)
Other notes receivable	<u>2,730,000</u>	<u>511,000</u>	<u>3,241,000</u>
Net total notes receivable	<u>\$ 16,237,005</u>	<u>\$ 511,000</u>	<u>\$ 16,748,005</u>
Increase (decrease)			
Uncollectibles related to revenues	\$ 4,764	\$ 0	\$ 4,764

Governmental funds report deferred revenue in connection with receivable for revenues that are not considered to be available to liquidate liabilities of the current period (unavailable).

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned). At the end of June 30, 2006, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 3 – RECEIVABLES (continued)

	<u>Unearned</u>	<u>Unavailable</u>
Property tax receivable (general fund)	\$ 3,622,020	\$ 0
Grant drawdowns prior to meeting all requirements	26,367	1,262,225
Property tax receivable (library fund)	2,675,638	0
Property tax receivable (debt service fund)	2,931,649	0
Ambulance Billing	0	409,087
Central Billing	0	447,290
Note Receivables	0	12,872,306
	<u>\$ 9,255,674</u>	<u>\$ 14,990,908</u>

NOTE 4 – CAPITAL ASSETS

Capital assets required several prior period adjustments (see note 8). During the fiscal year, the City reclassified several capital assets in an effort to provide more useful information. The new categories include water stock and infrastructure for storm drain, water lines and sewer lines. The following table delineates the impact of these prior period adjustments and the new asset categories as well as the normal capital asset activity for the year ended June 30, 2006.

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 4 – CAPITAL ASSETS (continued)

	Beginning Balance	Prior Period Adjustments	Transfers & Reclass	Increases	Decreases	Ending Balance
Governmental Activities:						
Capital assets not being depreciated:						
Land	\$ 139,865,546	\$ 7,034,760	\$ 0	\$ 6,402,676	\$ (9,880)	\$ 153,293,102
Land Easement	200,983	0	0	0	0	200,983
Construction in progress	7,279,966	0	0	5,460,307	(140,049)	12,600,224
Total	147,346,495	7,034,760	0	11,862,983	(149,929)	166,094,309
Capital assets being depreciated:						
Machinery and equipment	30,540,848	0	354,049	5,692,670	(3,608,389)	32,979,178
Library collection	4,741,840	0	0	305,699	(136,533)	4,911,006
Buildings	60,748,573	0	6,491	0	(21,052)	60,734,012
Land improvements	2,190,683	0	0	624,920	0	2,815,603
Infrastructure:						
Trails	847,833	0	0	0	0	847,833
Traffic signals	5,934,193	0	0	0	0	5,934,193
Noise Wall	127,160	0	0	0	0	127,160
Bridges	11,506,193	0	0	159,481	0	11,665,674
Roads	53,883,583	12,944,521	0	2,730,105	(40,883)	69,517,326
Sidewalks	18,660,850	0	0	752,606	0	19,413,456
Total	189,181,756	12,944,521	360,540	10,265,481	(3,806,857)	208,945,441
Less accumulated depreciation for:						
Machinery and equipment	(21,920,714)	(83,945)	(263,577)	(3,148,532)	2,939,938	(22,476,830)
Library collection	(3,546,062)	0	0	(299,963)	136,533	(3,709,492)
Buildings	(22,761,120)	0	(4,652)	(1,666,497)	21,052	(24,411,217)
Land improvements	(70,075)	0	0	(109,534)	0	(179,609)
Infrastructure:						
Trails	(128,847)	0	0	(42,392)	0	(171,239)
Traffic signals	(1,146,874)	0	0	(197,811)	0	(1,344,685)
Noise Wall	(6,358)	0	0	(6,358)	0	(12,716)
Bridges	(2,132,724)	0	0	(191,770)	0	(2,324,494)
Roads	(36,582,792)	(7,315,539)	0	(2,133,728)	0	(46,032,059)
Sidewalks	(7,475,298)	0	0	(373,218)	0	(7,848,516)
Total	(95,770,864)	(7,399,484)	(268,229)	(8,169,803)	3,097,523	(108,510,857)
Total capital assets, being depreciated, net	93,410,892	5,545,037	92,311	2,095,678	(709,334)	100,434,584
Governmental activities capital assets, net	\$ 240,757,387	\$ 12,579,797	\$ 92,311	\$ 13,958,661	\$ (859,263)	\$ 266,528,893

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 4 – CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2006, continued:

	Beginning Balance	Prior Period Adjustments	Transfers & Reclass	Increases	Decreases	Ending Balance
Business-type activities:						
Capital assets not being depreciated:						
Construction in progress	\$ 10,049,226	\$ 0	\$ 0	\$ 1,495,294	\$ (9,830,202)	\$ 1,714,318
Water Stock	2,322,756	0	0	0	0	2,322,756
Land	38,744,100	(2,342)	35,450	0	(23,540)	38,753,668
Total	51,116,082	(2,342)	35,450	1,495,294	(9,853,742)	42,790,742
Capital assets being depreciated:						
Machinery and equipment	94,358,230	0	(377,577)	24,999,731	(1,293,948)	117,686,436
Buildings	97,341,706	0	(17,624,385)	292,058	0	80,009,379
Land improvements	29,673,607	0	0	2,432,634	(848,195)	31,258,046
Infrastructure:						
Storm Drain	3,194,185	0	17,605,972	474,109	0	21,274,266
Water Lines	39,650,421	56,431	0	916,363	0	40,623,215
Sewer Lines	18,823,435	83,411	0	724,966	0	19,631,812
Total	283,041,584	139,842	(395,990)	29,839,861	(2,142,143)	310,483,154
Less accumulated depreciation for:						
Machinery and equipment	(57,648,156)	(282,934)	770,789	(4,431,916)	1,273,805	(60,318,412)
Buildings	(43,436,997)	(97,776)	10,843,036	(1,535,169)	0	(34,226,906)
Land improvements	(10,489,800)	0	0	(983,448)	848,193	(10,625,055)
Infrastructure:						
Storm Drain	(755,519)	0	(11,345,596)	(441,350)	0	(12,542,465)
Water Lines	(8,710,522)	(6,368,759)	0	(387,177)	0	(15,466,458)
Sewer Lines	(5,774,166)	(3,855,657)	0	(148,643)	0	(9,778,466)
Total	(126,815,160)	(10,605,126)	268,229	(7,927,703)	2,121,998	(142,957,762)
Total capital assets, being depreciated, net	156,226,424	(10,465,284)	(127,761)	21,912,158	(20,145)	167,525,392
Business-type activities capital assets, net	\$ 207,342,506	\$ (10,467,626)	\$ (92,311)	\$ 23,407,452	\$ (9,873,887)	\$ 210,316,134

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,375,293
Public safety	603,311.28
Public services	2,963,883.00
Community revitalization	52,421.00
Culture and recreation	1,174,894.00
Total depreciation expense - governmental activities	<u>\$ 8,169,803</u>
Business-type activities	
Golf Course	\$ 351,631
Water	809,443
Wastewater	1,104,095
Energy	3,265,165
Airport	747,343
Sanitation	2,314
Storm drain	349,667
Telecommunications	1,298,045
Total depreciation expense - business-type activities	<u>\$ 7,927,703</u>

The total interest capitalized during the current fiscal year was \$2,406,500.

NOTE 5- RISK MANAGEMENT

The City participates in the Utah State workers compensation program. Premiums paid in fiscal year ending June 30, 2006, from the Employees Benefits Fund were \$350,284, a decrease of \$17,394 from the prior year. Also, the City received a dividend of \$ 32,079 as a result of good claims history.

Cash transfers were made into the employee benefits fund by all other funds and are available to pay the premiums. The interfund transfers are based primarily upon the individual funds' claims experience and are included as an employee benefit under personnel expenses.

For the past five years the City has been self-insured on all insurance claims up to \$750,000 per claim. A commercial insurance carrier is responsible for the portion of a claim that exceeds \$750,000 and to a limit of \$10 million per occurrence. The City has not had any claims that have exceeded the self-insurance limit of \$750,000 for the past five years.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 5- RISK MANAGEMENT (continued)

The following schedule is a reconciliation of the changes in the aggregate claims liability for the City from the prior fiscal year to the current fiscal year:

<u>Aggregate Claims Liability</u>	<u>Beginning Balance</u>	<u>Claims Accrued</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
2006	\$ 485,000	\$ 818,628	\$1,088,628	\$215,000
2005	293,500	1,238,694	1,047,194	485,000

NOTE 6- CAPITAL LEASES

The City has entered into lease agreements, as lessee, for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Original Principal</u>	<u>Interest Rates</u>
Four Pierce Fire Vehicles	\$2,331,718	5.99%
Four Ambulances	824,164	3.73%
Golf Course Equipment	244,835	4.95%

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 were as follows:

Lease payment

	<u>Totals</u>
2007	\$ 403,180
2008	373,246
2009	363,220
2010	363,220
2011	363,220
2012-2016	1,816,100
Total minimum lease payments	3,682,186
Less amount representing interest	(636,916)
Present value of minimum lease payments	3,045,270
Amount due within one year	344,161
Amount due after one year	<u>\$ 2,701,109</u>

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 7- LONG-TERM DEBT

General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds have been issued for governmental activities in prior years in the amount of \$26,780,000. During the year, new general obligation bonds were issued in the amount of \$9,140,000.

Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$106,234,000 for business-type activities and \$5,385,000 for governmental activities. During the year, \$2,100,000 in new revenue bonds were issued.

Notes Payable

The City entered into an agreement on April 30, 2002, with Howard C. Stutz and Mildred R. Stutz to purchase property at 531 West 3700 North for \$704,000. The City issued a note payable in the original amount of \$704,000. The note was paid in full during the year.

The City entered into an agreement on August 7, 2003 with the Department of Housing and Urban Development for a section 108 loan to be used for infrastructure for a industrial business park at 2900 South Mountain Vista Parkway for \$3,500,000.

The City entered into an agreement on July 7, 2004, with the Utah National Parks Council to purchase property located at 250 West 500 North for \$195,000. \$39,000 was paid at closing and a note was issued by the City for \$156,000.

The City entered into an agreement on October 27, 2004, with Wells Fargo Bank, N.A. to borrow \$975,000 for the construction of a splash pool with related equipment located at the Veterans Memorial Park.

The City entered into an agreement on April 11, 2006 with the Food & Care Coalition for a building and land in the amount of \$950,000.

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 7- LONG-TERM DEBT (continued)

The City entered into an agreement on March 16, 2004, with EsNet Properties to purchase property located at 5720 North Heritage School Drive (250 West) for \$2,440,000. \$310,382 was paid at closing and a note was issued by the City for \$2,129,618.

Principal and interest requirements to retire the City's long-term obligations are as follows:

Governmental activities

	G.O. Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 1,995,000	\$ 936,649	\$ 485,000	\$ 283,098
2008	2,115,000	846,013	550,000	251,893
2009	2,250,000	745,975	590,000	216,783
2010	2,345,000	642,100	645,000	178,880
2011	2,450,000	533,763	680,000	137,125
2012-2016	9,200,000	942,232	560,000	410,865
2017-2021	0	0	335,000	296,940
2022-2026	0	0	985,000	179,585
	<u>\$20,355,000</u>	<u>\$ 4,646,732</u>	<u>\$ 4,830,000</u>	<u>\$ 1,955,169</u>

	Notes Payable		Total	
	Principal	Interest	Principal	Interest
2007	\$ 1,144,607	\$ 234,326	\$ 3,624,607	\$ 1,454,073
2008	1,044,588	208,264	3,709,588	1,306,170
2009	1,112,096	179,416	3,952,096	1,142,174
2010	741,512	148,172	3,731,512	969,152
2011	760,884	114,852	3,890,884	785,740
2012-2016	1,774,626	129,973	11,534,626	1,483,070
2017-2021	0	0	335,000	296,940
2022-2026	0	0	985,000	179,585
	<u>\$ 6,578,313</u>	<u>\$ 1,015,003</u>	<u>\$ 31,763,313</u>	<u>\$ 7,616,904</u>

Current Portion

Bonds	\$ 2,480,000
Notes	1,144,608
Leases	305,426
Total Current portion	<u>3,930,034</u>

Long-term Portion

Bonds	22,706,006
Notes	5,433,705
Leases	2,691,165
Total Long-term portion	<u>30,830,876</u>
Total	34,760,910
Less: unamortized amounts	(1,006)
Less Leases	2,996,591
Grand Total	<u>\$ 31,763,313</u>

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 7- LONG-TERM DEBT (continued)

Principal and interest requirements to retire the City's long-term obligations continued:

Business-type activities

	Revenue bond	
	Principal	Interest
2007	\$ 4,316,000	\$ 3,742,957
2008	4,506,000	3,564,595
2009	4,696,000	2,985,389
2010	5,097,000	3,187,517
2011	5,814,000	2,902,304
2012-2015	21,285,000	8,473,865
2016-2020	12,655,000	6,344,799
2021-2026	16,105,000	3,189,670
	<u>\$ 74,474,000</u>	<u>\$ 34,391,096</u>

Current Portion

Bonds	\$ 4,316,000
Leases	38,735
Total Current portion	<u>4,354,735</u>

Long-term Portion

Bonds less unamortized discounts and amount on bond refunding	68,883,396
Leases	9,944
Total Long-term portion	<u>68,893,340</u>
Grand Total	<u>73,248,075</u>
Add: unamortized amounts	1,274,604
Less Leases	<u>(48,679)</u>
Grand Total	<u>\$ 74,474,000</u>

The following is a schedule of bonds that were issued by the City and later refunded because lower interest rates were available:

	Original Issue Date	Original Issue Amount	Unpaid Balance June 30, 2006	Final Date of Maturity	Refunding Bonds
1980 A Series	12/01/80	\$ 22,400,000	\$ 16,405,000	04/01/15	1984 A Series

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 7- LONG-TERM DEBT (continued)

Long-term debt activity for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Increases	(Decreases)	Balance June 30, 2006	Amount Due 2007
Governmental activities					
Bonds Payable:					
General obligation bonds					
G.O. 1995 Road Bonds (4.875 - 7.00%)	\$ 4,205,000	\$ 0	\$ (4,205,000)	\$ 0	\$ 0
G.O. 1999 Library Bonds (5.0 - 5.4%)	12,340,000	0	(1,125,000)	11,215,000	1,180,000
G.O. 2006 Road Bonds (9.14 - 3.78)	0	9,140,000	0	9,140,000	815,000
G.O. 2006 Road Bonds unamortized	0	55,355	(2,768)	52,587	0
Tax increment bond					
2006 increment bond	0	2,100,000	0	2,100,000	5,000
2006 increment bond unamortized	0	(52,903)	1,322	(51,581)	0
Special Obligation Bond					
1998A Bldg Authority Bonds (6.00 - 6.80%)	3,180,000	0	(450,000)	2,730,000	480,000
Total Governmental Fund Bonds	19,725,000	11,242,452	(5,781,446)	25,186,006	2,480,000
Notes Payable:					
Note Payable Stutz Park (0%)	176,000	0	(176,000)	0	0
Note Payable Hud 108 (4.32%)	2,800,000	0	0	2,800,000	350,000
Note Payable Halladay Family Trust (0%)	233,334	0	(116,667)	116,667	116,667
Note Payable Utah National Parks Council (0%)	156,000	0	(39,000)	117,000	39,000
Note Payable Esnet (5.80%)	1,942,754	0	(197,702)	1,745,052	209,169
Note Payable Wells Fargo (3.48%)	975,000	0	(125,407)	849,593	129,772
Note Payable Food & Care Coalition	0	950,000	0	950,000	300,000
Total Notes Payable	6,283,088	950,000	(654,776)	6,578,312	1,144,608
Capital Leases	1,325,052	3,155,882	(1,484,343)	2,996,591	305,426
Accrued Compensated Absences	3,923,453	22,677	0	3,946,130	190,816
Total Governmental activity					
Long-term liabilities	\$ 31,256,593	\$ 15,371,011	\$ (7,920,565)	\$ 38,707,040	\$ 4,120,850
Business-type activities					
Revenue Bonds:					
2002 Series A Bonds (5.97-6.22%)	\$ 11,650,000	\$ 0	\$ (110,000)	\$ 11,540,000	\$ 115,000
Less Deferred Issuance Costs	(397,043)	0	44,116	(352,927)	0
Less Deferred Amount on Refunding	(685,201)	0	76,133	(609,067)	0
2003 Series A Energy Bonds (3.0-5.25)	17,335,000	0	(2,250,000)	15,085,000	2,360,000
Plus Deferred Issuance Premium	353,839	0	(44,002)	309,837	0
2003 Series A Water Bonds (2.0-4.25%)	1,616,000	0	(157,000)	1,459,000	161,000
Less Deferred Issuance Costs	(18,900)	0	2,700	(16,200)	0
Stormwater 1999 (4.10-5.0%)	7,270,000	0	(380,000)	6,890,000	395,000
Less Deferred Costs	(98,836)	0	10,982	(87,854)	0
Telecom 2004 Sales Tax Bonds (2.54-5.42%)	39,500,000	0	0	39,500,000	1,285,000
Less Deferred Costs	(531,685)	0	13,292	(518,393)	0
Total Business-type Bonds	75,993,174	0	(2,793,779)	73,199,395	4,316,000
Capital Leases	98,580	0	(49,901)	48,679	38,735
Accrued Compensated Absences	1,537,291	121,354	0	1,658,645	82,932
Total Business-type					
Long-term liabilities	\$ 77,629,045	\$ 121,354	\$ (2,843,680)	\$ 74,906,719	\$ 4,437,667

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 7- LONG-TERM DEBT (continued)

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, \$175,824 of internal service funds compensated absences and \$2,996,591 of internal service funds capital leases were included in the above amounts. Also, governmental activities, claims and judgments and compensated absences have generally been liquidated by the general fund in prior years.

NOTE 8 – RESTATEMENTS OF FUND EQUITY/NET ASSETS

Prior Period Adjustments

Adjustments resulting from a change to comply with GASB Statement No. 34, adjustments due to an error or a change in accounting principle, are treated as adjustments to prior periods. Accordingly, the City reports these changes as a restatement of beginning fund balance, fund equity or net assets as appropriate.

In preparation for the implementation of GASB No. 34, the City closely evaluated its capital assets. In fiscal year 2005, the City implemented a new system for tracking utility department infrastructure. The new system allowed the City to identify and record developer contributed assets in the Water, Wastewater and Energy Funds that had not been recognized in prior years. Also, at the time that the water and sewer line infrastructure was brought into the system, the accumulated depreciation was not accounted for correctly.

The developer contributed portion of water, sewer and road infrastructure was understated in the initial implementation of GASB No. 34.

During fiscal year 2006, the system tracking the City vehicles was evaluated. There were vehicles identified that were not being depreciated correctly. The correction to accumulated depreciation was made during the current year.

Research has continued in an effort to identify and correctly report land owned by the City. There were numerous parcels identified that had been overlooked in the initial implementation of GASB No. 34. The largest land entry was made due to the land under the roads that had not been accounted for in previous years.

There were two other items that required prior period adjustments. An expense was paid out of fiscal year 2006 that should have been recognized as an expense in fiscal year 2005. Partial revenue received for a land sale should have been shown as a liability in fiscal year 2005.

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 8 – RESTATEMENTS OF FUND EQUITY/NET ASSETS (continued)

Following is a schedule of prior period adjustments:

	<u>Governmental Activities</u>	<u>Business type Activities</u>
Beginning net assets, as previously stated	\$ 262,026,114	\$ 181,597,821
Fund statement adjustments		
Accounts payable	338,188	0
Accumulated depreciation	(83,945)	(380,710)
Land	0	(6,342)
GASB 34 Entity-wide adjustments:		
Land	7,034,760	0
Accumulated depreciation	0	(10,224,419)
Developer contributed infrastructure	5,628,983	139,842
Restated beginning net assets	<u>\$ 274,944,100</u>	<u>\$ 171,126,192</u>

NOTE 9 - INTERFUND ASSETS AND LIABILITIES

Loans due From/To Other Funds consist of the following at June 30, 2006:

<u>Due From</u>	<u>Due To</u>			<u>Due To</u>	<u>Due From</u>		
Fund	Enterprise	Internal Service	Governmental	Fund	Enterprise	Internal Service	Governmental
Building Authority	\$ 0	\$ 0	\$ 84,117	Guaranty	\$ 0	\$ 0	\$ 84,117
CDBG	0	0	837,475	General Fund	0	0	837,475
CNRC	0	0	403,365	CDBG	0	0	403,365
Capital Resource	0	616,429	0	Capital Reserve	0	616,429	0
Facilities	0	26,607	0	Employee Benefits	0	26,607	0
Golf	61,001	0	0	Energy	61,001	0	0
Golf	0	0	147,526	General Fund	147,526	0	0
Homebuyer Assistance	0	0	48,000	CDBG	0	0	48,000
Housing Rehabilitation	0	0	130,587	CDBG	0	0	130,587
New Development	0	0	8,560	CDBG	0	0	8,560
Parks CIP	0	0	635,775	General Fund	0	0	635,775
Special Purpose Grants	0	0	275	Guaranty	0	0	275
Tax Increment	0	0	1,047,465	Econ. Development	0	0	1,047,465
Tax Increment	0	0	1,040,122	General Fund	0	0	1,040,122
Telecommunications	812,853	0	0	Energy	812,853	0	0
Telecommunications	980,000	0	0	Energy	980,000	0	0
Telecommunications	0	616,429	0	Capital Resources	616,429	0	0
Totals	<u>\$ 1,853,854</u>	<u>\$ 1,259,465</u>	<u>\$ 4,383,267</u>		<u>\$ 2,617,809</u>	<u>\$ 643,036</u>	<u>\$ 4,235,741</u>

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 9 - INTERFUND ASSETS AND LIABILITIES (continued)

Transfers In/Out to Other Funds, for the fiscal year 2006, consists of the following:

<u>Transfer to</u>				<u>Transfer from</u>				<u>Transfer from</u>				<u>Transfer to</u>			
Fund	Internal			Fund	Internal			Fund	Internal			Fund	Internal		
	Enterprise	Service	Governmental		Enterprise	Service	Governmental		Enterprise	Service	Governmental		Enterprise	Service	Governmental
Airport CIP	\$ 0	\$ 0	\$ 11,270	General CIP Fund	\$ 11,270	\$ 0	\$ 0	General CIP Fund	\$ 11,270	\$ 0	\$ 0	General CIP Fund	\$ 11,270	\$ 0	\$ 0
Airport CIP	0	0	109,000	General Fund	109,000	0	0	General Fund	109,000	0	0	General Fund	109,000	0	0
Airport Fund	0	2,734	0	Employee Benefits Fund	2,734	0	0	Employee Benefits Fund	2,734	0	0	Employee Benefits Fund	2,734	0	0
Arts Fund	0	1,334	0	Employee Benefits Fund	0	0	1,334	Employee Benefits Fund	0	0	1,334	Employee Benefits Fund	0	0	1,334
Arts Fund	0	0	138,115	General Fund	0	0	138,115	General Fund	0	0	138,115	General Fund	0	0	138,115
B & C Road Fund	0	0	1,475,284	General Fund	0	0	1,475,284	General Fund	0	0	1,475,284	General Fund	0	0	1,475,284
Capital Reserve	0	0	259,197	B & C Road Fund	0	259,197	0	B & C Road Fund	0	259,197	0	B & C Road Fund	0	259,197	0
Capital Reserve	413,500	0	0	Energy CIP	0	413,500	0	Energy CIP	0	413,500	0	Energy CIP	0	413,500	0
Capital Reserve	0	0	69,741	General Fund	0	69,741	0	General Fund	0	69,741	0	General Fund	0	69,741	0
Capital Reserve	0	0	53,486	Parks CIP	0	53,486	0	Parks CIP	0	53,486	0	Parks CIP	0	53,486	0
Capital Reserve	5,641	0	0	Storm Drain	0	5,641	0	Storm Drain	0	5,641	0	Storm Drain	0	5,641	0
Capital Reserve	47,358	0	0	Wastewater	0	47,358	0	Wastewater	0	47,358	0	Wastewater	0	47,358	0
CDBG	0	0	483,158	CNRCC	0	0	483,158	CNRCC	0	0	483,158	CNRCC	0	0	483,158
CDBG	0	0	48,000	Home Buyer Assistance	0	0	48,000	Home Buyer Assistance	0	0	48,000	Home Buyer Assistance	0	0	48,000
CDBG	0	0	41,160	Housing Rehabilitation	0	0	41,160	Housing Rehabilitation	0	0	41,160	Housing Rehabilitation	0	0	41,160
CDBG	0	0	8,560	New Development	0	0	8,560	New Development	0	0	8,560	New Development	0	0	8,560
CNRCC	0	0	320,597	CDBG	0	0	320,597	CDBG	0	0	320,597	CDBG	0	0	320,597
Debt Service	100,000	0	0	Energy	0	0	100,000	Energy	0	0	100,000	Energy	0	0	100,000
Debt Service	0	0	176,000	General Fund	0	0	176,000	General Fund	0	0	176,000	General Fund	0	0	176,000
Debt Service	7,286	0	0	Sanitation	0	0	7,286	Sanitation	0	0	7,286	Sanitation	0	0	7,286
Debt Service	9,713	0	0	Wastewater	0	0	9,713	Wastewater	0	0	9,713	Wastewater	0	0	9,713
Debt Service	13,406	0	0	Water	0	0	13,406	Water	0	0	13,406	Water	0	0	13,406
Employee Benefits	232,422	0	0	Energy	0	232,422	0	Energy	0	232,422	0	Energy	0	232,422	0
Employee Benefits	0	9,732	0	Facility Services	0	9,732	0	Facility Services	0	9,732	0	Facility Services	0	9,732	0
Employee Benefits	0	0	301,637	General Fund	0	301,637	0	General Fund	0	301,637	0	General Fund	0	301,637	0
Employee Benefits	0	0	21,896	Library	0	21,896	0	Library	0	21,896	0	Library	0	21,896	0
Employee Benefits	14,855	0	0	Sanitation	0	14,855	0	Sanitation	0	14,855	0	Sanitation	0	14,855	0
Employee Benefits	9,364	0	0	Storm Drain	0	9,364	0	Storm Drain	0	9,364	0	Storm Drain	0	9,364	0
Employee Benefits	0	3,274	0	Vehicle Management	0	3,274	0	Vehicle Management	0	3,274	0	Vehicle Management	0	3,274	0
Employee Benefits	62,834	0	0	Wastewater	0	62,834	0	Wastewater	0	62,834	0	Wastewater	0	62,834	0
Energy Fund	0	89,860	0	Employee Benefits Fund	89,860	0	0	Employee Benefits Fund	89,860	0	0	Employee Benefits Fund	89,860	0	0
Energy Fund	135,929	0	0	Telecommunications	135,929	0	0	Telecommunications	135,929	0	0	Telecommunications	135,929	0	0
Facility Services	0	9,731	0	Employee Benefits Fund	0	9,731	0	Employee Benefits Fund	0	9,731	0	Employee Benefits Fund	0	9,731	0
General CIP Fund	0	110,000	0	Facilities Services	0	0	110,000	Facilities Services	0	0	110,000	Facilities Services	0	0	110,000
General CIP Fund	0	0	115,000	General Fund	0	0	115,000	General Fund	0	0	115,000	General Fund	0	0	115,000
General Fund	0	6,380	0	Capital Reserve	0	0	6,380	Capital Reserve	0	0	6,380	Capital Reserve	0	0	6,380
General Fund	0	0	79,793	CDBG	0	0	79,793	CDBG	0	0	79,793	CDBG	0	0	79,793
General Fund	0	0	1,980	CNRCC	0	0	1,980	CNRCC	0	0	1,980	CNRCC	0	0	1,980
General Fund	0	413,993	0	Employee Benefits Fund	0	0	413,993	Employee Benefits Fund	0	0	413,993	Employee Benefits Fund	0	0	413,993
General Fund	4,621,839	0	0	Energy	0	0	4,621,839	Energy	0	0	4,621,839	Energy	0	0	4,621,839

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 9 - INTERFUND ASSETS AND LIABILITIES (continued)

<u>Transfer to</u>	<u>Transfer from</u>			<u>Transfers from</u>	<u>Transfer to</u>		
	Internal				Internal		
<u>Fund</u>	<u>Enterprise</u>	<u>Service</u>	<u>Governmental</u>	<u>Fund</u>	<u>Enterprise</u>	<u>Service</u>	<u>Governmental</u>
General Fund	\$ 0	\$ 0	\$ 109,492	Rental Rehab	\$ 0	\$ 0	\$ 109,492
General Fund	292,312	0	0	Sanitation	0	0	292,312
General Fund	472,232	0	0	Wastewater	0	0	472,232
General Fund	598,889	0	0	Water	0	0	598,889
Golf Fund	0	75,000	0	Capital Reserve	75,000	0	0
Golf Fund	0	2,969	0	Employee Benefits Fund	2,969	0	0
Golf Fund	0	0	116,476	General Fund	116,476	0	0
Homebuyer Assistance	0	0	50,000	CDBG	0	0	50,000
Homebuyer Assistance	0	0	151,322	Housing Rehabilitation	0	0	151,322
Justice Court	0	0	475,140	CDBG	0	0	475,140
Library	0	31,774	0	Employee Benefits Fund	0	0	31,774
Parks CIP	0	0	550,000	General Fund	0	0	550,000
Sanitation Fund	0	12,494	0	Employee Benefits Fund	12,494	0	0
Senior Games	0	0	23,530	Provo Foundation	0	0	23,530
Storm Drain	0	9,363	0	Employee Benefits Fund	9,363	0	0
Tax Increment	0	0	338,188	General Fund	0	0	338,188
Telecommunications	0	13,470	0	Employee Benefits Fund	13,470	0	0
Telecommunications	0	0	28,000	General Fund	28,000	0	0
Telecommunications CIP	0	4,933	0	Employee Benefits Fund	4,933	0	0
Vehicle Management	0	9,684	0	Employee Benefits Fund	0	9,684	0
Vehicle Management	0	0	262,763	General Fund	0	262,763	0
Wastewater Fund	0	24,946	0	Employee Benefits Fund	24,946	0	0
Water	438,632	0	0	Wastewater	438,632	0	0
Water Fund	0	28,726	0	Employee Benefits Fund	28,726	0	0
Winterfest	0	0	13,000	General Fund	0	0	13,000
Totals	\$ 1,802,065	\$ 213,359	\$ 2,117,911		\$ 755,009	\$ 272,447	\$ 3,105,878

Transfers between the business-type activities and the governmental activities totaled \$6,464,719 per the statement of activities. The majority of the transfers were to governmental funds for administrative services they provide to the business-type funds and for capital outlay in the governmental funds that benefit the City.

In the fund statements, there is a difference in interfund transfers of \$56,823. The two items making up the difference are a transfer of capital assets from general fund to vehicle management, and a transfer of personnel identification system from facilities to general fund.

NOTE 10 - CONTINGENT LIABILITIES

The City is involved in litigation arising from the normal course of business activity. It is not possible to determine the ultimate liability, if any, in these matters. The opinion of management is that such litigation will have no material effect on the financial statements of the City.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 10 - CONTINGENT LIABILITIES (continued)

The City has an insurance policy for public liability and property damage with various deductibles. A separate fund has been established for the purpose of pooling the financial resources of the City and paying the deductible for claims.

The City purchased 72 percent of the energy sold by Utah Municipal Power Agency (UMPA) to its member cities. The City is obligated to pay a proportionate share of all operating, maintenance, debt service and any other costs incurred by UMPA based on the City's energy purchases.

The City participates in Federal Grant programs that are audited in accordance with the provisions of the Single Audit Act of 1997 and the Office of Management and Budget Circular A-133. These grants are subject to financial and compliance audits by the federal government, which may result in disallowed expenditures. In the opinion of management, future disallowances of current grant program expenditures, if any, will be immaterial.

As of June 30, 2006, the City was involved in litigation dealing with three personal injury cases. At the time the financial statements were prepared one case had been settled for a total of \$65,000. It is the opinion of the City's legal department that the estimated liability is \$215,000 if damages are awarded on the remaining cases.

NOTE 11- JOINT VENTURES

The Utah Municipal Power Agency (UMPA) was created jointly as a separate legal entity and political subdivision of the State of Utah by an agreement dated September 17, 1980, pursuant to the provisions of the Utah Interlocal Cooperation Act. UMPA's membership consists of six municipalities. UMPA's purposes include planning, financing, development, acquisition, construction, improvement, betterment, operation or maintenance of projects for the generation, transmission and distribution of electric energy for the benefit of the member municipalities. The City purchased 71.80 percent of the energy sales of the Agency to member cities in the current fiscal year and 56.70 percent of all energy sales of the Agency. UMPA billed Provo City \$32,993,988 for energy.

Provo City billed UMPA \$3,455,151 for maintenance costs, as stipulated in the purchased power agreement between Provo City and UMPA. UMPA has issued revenue bonds to purchase an interest in various electrical generation facilities to provide power to its members.

Under the terms of the S-1 Power Sales Agreement, the members are obligated to pay their proportionate share, based on energy purchases, of all operation and maintenance expenses and debt service on the revenue bonds incurred by UMPA. Furthermore, they are obligated to purchase all of their energy needs from the Agency.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 11- JOINT VENTURES (continued)

UMPA is governed by a six member board composed of the Mayor of each city. Despite the imbalance in proportionate share of energy consumption, a majority vote is needed to approve any significant activity. Below is a summary of the financial position of UMPA:

At June 30, 2006

Total assets	\$ 61,100,239
Total liabilities	(61,096,889)
Total fund equity	<u>\$ 3,350</u>

For the year ended June 30, 2006

Total operating revenue	\$ 70,251,407
Total operating expenses	(58,041,449)
Nonoperating revenue	
and expense	<u>(12,209,958)</u>
Net income (loss)	<u>\$ 0</u>

Complete financial statements for the agency may be obtained at Utah Municipal Power Agency, 40 South Main, Spanish Fork, UT 84660.

The South Utah Valley Solid Waste District (the District) was created May 11, 1989, for the purpose of building and operating a landfill and transfer station. The District's membership consists of seven municipalities. The City made an initial investment of \$4,651,000, or 54 percent of the costs, to construct the facilities.

A seven-member board composed of the Mayor of each city governs the District. A voting majority of Provo City and at least one other board member or a voting majority of all board members excluding Provo City is needed to approve any significant activity. The City paid the District \$620,107 for user fees.

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 11 - JOINT VENTURES (continued)

Below is a summary of the financial position of the District:

At June 30, 2006

Total assets	\$ 16,922,769
Total liabilities	<u>(3,058,221)</u>
Total fund equity	<u>\$ 13,864,548</u>

For the year ended June 30, 2006

Total operating revenue	\$ 4,105,005
Total operating expenses	<u>(4,265,757)</u>
Nonoperating revenue and expense	<u>325,307</u>
Net income	<u>\$ 164,555</u>

Complete financial statements for the district may be obtained at South Utah Valley Solid Waste District, 2450 West 400 South, Springville, UT 84663.

The Provo City/Utah County Ice Sheet Authority was created March 19, 1996, as a joint venture between Provo City and Utah County for the purpose of financing, constructing, maintaining and operating an Olympic ice sheet to be constructed at the Seven Peaks property in Provo, Utah. The Ice Sheet Authority has entered into a Development Agreement with Seven Peaks under which Seven Peaks has designed and constructed the Ice Sheet under the direction and control of the Ice Sheet Authority.

The Ice Sheet Authority is governed by a six member board. Three members are from the Board of County Commissioners of Utah County, three members are the Provo City Mayor, a member of the City Council and a person appointed by the Mayor. Board decisions are made by a majority of the members of a quorum of the Board of Directors.

The Ice Sheet Authority has entered into a Lease and Management Agreement with Seven Peaks Management, as lessee, under which the Ice Sheet Authority will receive rental payments and other remuneration for the operation and use of the ice sheet by Seven Peaks Management. The Ice Sheet Authority and the Salt Lake Organizing Committee (SLOC) for the Olympic Winter Games of 2002 entered into an Ice Sheet Use Agreement. Under this agreement, the Ice Sheet Authority agreed to make the ice sheet available for the exclusive use of the SLOC in connection with the Winter Olympics of 2002 and related events preceding and occurring after the Winter Olympics of 2002.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 11 - JOINT VENTURES (continued)

The City and the County agreed on a financing plan under which the Building Authority of Provo City issued lease revenue bonds secured by (1) rental revenues derived under a Lease Agreement by and between the Building Authority, as lessor, and the City, as lessee, (2) rental revenues derived under a Sublease Agreement by and between the City, as sublessor, and the County, as sublessee, (3) an assignment of the Lease and Sublease from the City and the County to the Ice Sheet Authority, (4) an assignment of the pledge to the Building Authority of any revenues received by the Ice Sheet Authority from Seven Peaks under the Lease and Management Agreement, and (5) a pledge of revenues to be received by the Ice Sheet Authority from SLOC under the Ice Sheet Agreement for the use of the Ice Sheet by SLOC.

Below is a summary of the financial position of the Ice Sheet Authority:

At June 30, 2006

Total assets	\$ 9,606,375
Total liabilities	<u>(2,752,829)</u>
Total fund equity	<u>\$ 6,853,546</u>

For the year ended June 30, 2006

Total operating revenue	\$ 0
Total operating expenses	(402,992)
Nonoperating revenue	558,933
and expense	
Net income	<u>\$ 155,941</u>

Complete financial statements for the Authority may be obtained at Provo City/Utah County Ice Sheet Authority, C/O Provo City Finance Department, 351 West Center St., PO Box 1849, Provo, UT 84603.

The South Utah Valley Animal Services Special Services District (the District) is a political subdivision of the State of Utah organized June 2003 for the purpose of animal control and animal shelter services to the residents of Southern Utah County, Utah. The District's membership consists of nine municipalities and Utah County. The City made an initial investment of \$20,888 or 42 percent of the startup costs, to operate the facility.

An eleven-member board governs the District. Each city included within the boundaries of the District may appoint a member to the board. Each member of the board has one vote. A majority vote of the members present is necessary to approve any agenda item before the board. The City paid the District \$41,080 for operating costs.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 11 - JOINT VENTURES (continued)

Below is a summary of the financial position of the District:

At June 30, 2006

Total assets	\$ 123,137
Total liabilities	<u>(36,646)</u>
Total fund equity	<u>\$ 86,491</u>

For the year ended June 30, 2006

Total operating revenue	\$ 247,649
Total operating expenses	(163,195)
Nonoperating revenue and expense	<u>2,037</u>
Net income	<u>\$ 86,491</u>

Complete financial statements for the District may be obtained at South Utah Valley Animal Services Special Service District, 582 West 3000 North, Spanish Fork, UT 84660.

NOTE 12 - POST-EMPLOYMENT

In addition to the pension benefits described in Note 13, the City provides post-retirement health care and life insurance benefits in accordance with City policy, to all employees who retire from the City upon completing the requirements for the retirement plan participated in as detailed in Note 13. Currently there are 94 retirees who meet those requirements. The City pays the retirees' health care and life insurance premiums on a pay-as-you-go basis. The spouse is required to pay the entire premium. Terminated employees under the COBRA Act are allowed to purchase the same insurance policy at their own expense for a period of 18 months. The City paid \$777,331 in premiums for retirees during the fiscal year ended June 30, 2006.

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 13 - RETIREMENT PLANS

The City participates in the Utah Retirement Systems (URS). The URS administers the following separate retirement systems in which the City participates: the Local Governmental Contributory Retirement System (Contributory System), the Local Governmental Noncontributory Retirement System (Noncontributory System), the Public Safety Retirement System (Public Safety System), and the Firefighters Retirement System (Firefighters System).

The Contributory System, the Noncontributory System and the Firefighters System are Cost-Sharing Multiple Employer defined benefit pension plans. The Public Safety System is an Agent-Multiple Employer defined benefit pension plan. The Systems provide retirement benefits, annual cost-of-living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature. A brief summary of eligibility and benefits is as follows:

	<u>Contributory System</u>	<u>Noncontributory System</u>	<u>Public Safety & Firefighters Systems</u>
Required Service Years	30 years any age	30 years any age	20 years any age
Eligible for Benefit Age	20 years age 60	25 years any age	10 years age 60
	10 years age 62	20 years age 62	4 years age 65
	4 years age 65	10 years age 62	
		4 years age 65	

The Systems have been established and are governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans.

Chapter 49 places the Systems, the Office and related plans and programs, under the direction of the Utah State Retirement Board (Board), whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102, or by calling 1-800-365-8772.

In accordance with State law, certain exempt employees such as department heads, the Chief Administrative Officer, the Mayor, and City Council members, have the option to elect out of the URS. The City has allowed these employees to put the 13.95 percent that is the City's contribution into privately administered retirement plans or to receive it as additional compensation. All other employees are required to join the URS.

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 13 - RETIREMENT PLANS (continued)

Cost-Sharing Multiple Employer Plans

The required contribution rates in effect from July 1, 2005, through June 30, 2006, are as follows, figured on the covered salary for the eligible employees:

	Contribution Rates		
	Employee Paid	Employer Paid For Employee	Employer
Contributory System	N/A	6.00%	7.080%
Non-contributory System	N/A	N/A	11.090%
Firefighters System	N/A	7.83%	N/A

The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions for the current year and each of the two preceding years are as follows:

System	Year Ended June 30	Employee Paid	Employer Paid for Employee	Employer
Contributory System	2006	0	\$ 123,418	\$ 145,633
	2005	0	129,023	152,247
	2004	0	129,374	120,964
Noncontributory System	2006	N/A	N/A	2,005,861
	2005	N/A	N/A	1,905,373
	2004	N/A	N/A	1,591,344
Firefighters System	2006	0	311,098	0
	2005	0	308,314	0
	2004	0	303,757	0

The contributions were equal to the required contributions for each year.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 13- RETIREMENT PLANS (continued)

Agent – Multiple Employer Plan

The required contribution rates in effect from July 1, 2005, through June 30, 2006, are as follows, figured on the covered salary for the eligible employees:

	Contribution Rates		
	Employee Paid	Employer Paid For Employee	Employer
Public Safety System	5.61%	7.93%	12.220 %

The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions for the current year and each of the two preceding years are as follows:

System	Year Ended June 30	Employee Paid	Employer Paid for Employee	Employer
Public Safety System	2006	\$247,460	\$349,797	\$539,030
	2005	249,794	353,097	544,115
	2004	187,450	411,148	479,673

The contributions were equal to the required contributions for each year.

The annual pension cost, the percentage of annual pension cost contributed and the net pension obligation at year end for the current year and each of the two preceding years are as follows:

System	Year Ended June 30	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
Public Safety System	2006	\$1,139,287	100%	\$0
	2005	1,147,007	100%	0
	2004	1,078,271	100%	0

For the fiscal year ended June 30, 2006, the City's Public Safety System's annual pension cost of \$1,139,287 was equal to the City's required and actual contributions. The required contribution was determined as part of the January 1, 2005, actuarial valuation using the entry age normal cost method. The actuarial assumptions include (a) 8 percent investment rate of return (net of

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 13 - RETIREMENT PLANS (continued)

administrative expenses), (b) assumed projected salary increases by 4.5 percent (3.5 percent from inflation and 1.00 percent from membership growth), and (c) 2.5 percent cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5 percent. The actuarial value of the City's Public Safety assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The City's Public Safety unfunded actuarial accrued liability is being amortized over 20-year amortization period. Amortization payments are designed to remain level as a percent of a payroll.

Required supplementary information:

Schedule of Funding Progress for Provo City Public Safety

	A	B	C	D	E	F
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (B-A)	Funding Ratios (A/B)	Covered Payroll	UAAL as a Percent of Covered Payroll (C/E)
12-31-05	\$26,857,000	\$31,921,000	\$5,064,000	84%	\$4,626,000	110%
1-1-05	25,302,000	30,072,000	4,770,000	84%	4,402,000	108%
1-1-04	2,546,000	28,009,000	3,463,000	88%	4,482,000	77%

The Provo City Public Safety System amortization period was open at June 30, 2006.

Notes to required supplementary schedules:

(1) Schedule of Funding Progress

The information contained in the schedule of funding progress is based on the actuarial study dated January 1, 2005. The actuarial accrued liability is presented based on the report generated by that study conducted by Gabriel, Roeder Smith & Company. The actuarial value of assets for that date is based on a smoothed expected investment income rate. Investment income in excess or shortfall of the expected 8 percent return on fair value is smoothed over a five-year period with 20 percent of a year's excess or shortfall being recognized each year beginning with the current year. The calculations for this smoothing process are disclosed in note 5 of the notes to the basic financial statements of the URS pages 48 and 49.

(2) Schedules of Employer Contributions

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 13 - RETIREMENT PLANS (continued)

The required employer contributions and percent of those contributions actually made are presented in the schedule.

(3) Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

Defined Contribution Plans

The City participates in a 401(k) plan managed by the URS. All full-time regular municipal employees are eligible to participate in this plan. Although not required by the URS to contribute to the 401(k) plan, the City contributed .37 percent of salaries for employees in the Contributory System, 11.43 percent of salaries for employees in the Firefighter's System and 2.36 percent of salaries for employees in the Noncontributory System during fiscal year ended June 30, 2006. The City's contributions to the 401(k) plan are made to provide parity in the City's contribution rate to the four different systems in which its employees participate. The City contributed \$1,302,272 to the plan during fiscal year ended June 30, 2006.

NOTE 14 - RESTRICTIONS ON FUND BALANCES

General Fund and Debt Service Funds

State statutes allow the use of accumulated fund balance of the General Fund for the following: (1) to finance operations from the beginning of a fiscal year until revenue is collected, (2) to meet emergency expenditures resulting from natural disasters, and (3) to cover unanticipated deficits in future years. Also, the Class "C" Road Grant monies are designated for certain road uses by Utah State law. Unexpended 2006 grant money is accounted for in the General Fund. Any fund balance in the Debt Service funds after retirement of all general long-term debt must be transferred to the General Fund.

Restricted Net Assets

In the government-wide financial statements, GASB No. 34 requires the City to separately report certain restricted assets, revenues, and balances. Net assets should be reported as restricted when constraints placed on net asset use are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislations. The restricted net assets for the City are as follows:

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 14 - RESTRICTIONS ON FUND BALANCES (continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Restricted for capital projects		
Capital projects	<u>\$ 7,306,056</u>	<u>\$ 8,789,442</u>
Restricted for debt service		
Debt service reserve	541,702	0
Storm Drain Debt Service Reserve	0	735,000
Energy 2002 Bonds	0	211,928
Energy 2003 A Bonds	0	2,576,016
Telecommunications Bonds	<u>0</u>	<u>1,082,053</u>
Total restricted for debt service	541,702	4,604,997
Total restricted net assets	<u><u>\$ 7,847,758</u></u>	<u><u>\$ 13,394,439</u></u>

NOTE 15 - MAJOR UTILITY CUSTOMER

The City, through its Energy Fund and Water Fund, delivers power and water to a major customer. The gross sales to this customer approximate 12.5 percent of the gross energy dollar sales and 4.3 percent of gross water dollar sales.

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 16 - REDEVELOPMENT AGENCY

During fiscal year 2006, the Redevelopment Agency of Provo City collected tax increment funds of \$1,147,781 for the Central Business District Project, Project Area Number 4, and the South University Avenue Project. This included \$119,335 of "additional" tax increment funds for a cultural arts facility, i.e., the City's downtown performing arts center project. The Redevelopment Agency did not pay tax increment funds to any taxing agencies for projects during fiscal year 2006.

The following is a list of outstanding principal amounts of bonds or other contractual commitments associated with projects:

Tax Increment Series 2005 Revenue Bonds ("additional" Increment-performing arts center)	\$ 2,100,000
 Contract Balances	
Boyer/NuSkin Office Bldg	139,649
Conference Center	2,474,619
Dillards Department Stores	1,486,028
Provo Towne Center Mall	9,073,608
Total Contract Balances	<u>\$ 10,973,904</u>

The Redevelopment Agency is obligated to pay 8 percent annual interest on the remaining balance of the \$9,073,608 to Provo Towne Centre Mall calculated from May 15, 1997. The balance shown is after the fiscal year 2006 payment and includes accrued interest. Tax increment proceeds will be applied to interest owed first.

The Redevelopment Agency had \$1,779 in administrative expenditures for tax increment projects during the fiscal year.

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 17 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The general, special revenue, debt service and capital improvement funds budgets are adopted on a basis consistent with Generally Accepted Accounting Principles. Actual expenditures and operating transfers out may not legally exceed budget appropriations at the department level for the General fund and the fund level for all other funds.

Annual budgets for the fiscal year commencing July 1 are legally adopted by resolution of the Provo City Council on or before June 22 and after public hearings. The operating budget includes proposed expenditures and revenue sources. Amendments to the annual budget are made throughout the fiscal year by resolution of the Provo Municipal Council after a public hearing.

Budgetary control is maintained at the department level for the General Fund and at the fund level for all other funds. The Department Head may transfer from one category to another upon review and approval of the Budget Officer. Budget cannot be legally transferred from department to department for the General Fund without the approval of the Municipal Council.

Encumbrance accounting is used by the City to assure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end. Encumbered amounts carry over to the subsequent year. The budget in all funds is reduced at year-end by the amount of the reserve for encumbrances and is added to the ensuing year with administrative approval.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. While appropriations lapse at the end of the fiscal year, the succeeding year's budget ordinance specifically provides for the reappropriation of year-end encumbrances.

(The remainder of this page is left intentionally blank.)

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 17 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY
(continued)

Capital projects funds are budgeted on a project basis. However, unused appropriations are transferred forward into the new fiscal year as approved by the Municipal Council in the original budget.

NOTE 18 - RECONCILIATION OF GOVERNMENTAL FUNDS TO
GOVERNMENT-WIDE FINANCIAL STATEMENTS

When comparing the capital assets reported on the statement of net assets for governmental funds with the amount reported on the reconciliation between the fund statements and the statement of net assets, there is a difference. The reason the numbers are not the same is because the statement of net assets includes the capital assets of the internal service funds because they primarily benefit governmental funds. The same is true with long-term liabilities. In the reconciliation, the net assets of the internal service funds are reported on one line to explain the difference. The following is a schedule that shows the balances in governmental funds and internal service funds for capital assets and liabilities.

	<u>Governmental Funds</u>	<u>Reported in Fund Statements</u>	<u>Internal Service Funds</u>	<u>Governmental Activities</u>
Statement of Net Assets:				
Capital assets	\$ 350,417,755	\$ 0	\$ 24,621,995	\$ 375,039,750
Accumulated depreciation	(93,016,316)	0	(15,494,541)	(108,510,857)
Net	257,401,439 *	0	9,127,454	266,528,893 **
 Accrued compensated absences (includes current portion)	 3,770,306 *	 0	 175,825	 3,946,131 **
 Bonds payable	 25,186,005	 0	 0	 25,186,005
Notes payable	5,728,719	0	0	5,728,719
Leases payable	849,594	0	2,996,591	3,846,185
Long-term liabilities (includes current portion)	31,764,318 *	0	2,996,591	34,760,909 **
 Statement of Activities:				
Capital outlay	11,306,696	0	0	11,306,696
Depreciation	(5,603,493)	0	0	(5,603,493)
Net	\$ 5,703,203 ***	\$ 0	\$ 0	\$ 5,703,203

* Reported on reconciliation of the balance sheet for governmental funds to statement of net assets.

** Reported on the statement of net assets in the governmental funds column.

*** Reported on reconciliation of the statement of revenues, expenditures and changes in fund balance to the statement of activities.

PROVO CITY CORPORATION
Notes to the Financial Statements
JUNE 30, 2006

NOTE 19 – INTEREST EXPENSE

The following is a schedule that shows the amount of interest that was paid during the year, accrued at the end of the year and the total interest charged to expense:

	Beginning Accrued	Incurred	Expensed	Capitalized	Ending Accrued
Governmental funds	\$ 381,476	\$ (1,310,029)	\$ 1,437,818	\$ 0	\$ 509,265
Internal service funds	37,473	(120,682)	121,212	0	38,003
Enterprise funds	969,397	(4,003,392)	1,578,459	2,406,500	950,964
Total	<u>\$ 1,388,346</u>	<u>\$ (5,434,103)</u>	<u>\$ 3,137,489</u>	<u>\$ 2,406,500</u>	<u>\$ 1,498,232</u>

(The remainder of this page is left intentionally blank.)



This page is intentionally left blank.



This page is intentionally left blank.

PROVO CITY CORPORATION
Combining Balance Sheet
Other Governmental Funds
As of June 30, 2006

	Special Revenue				
	Library	Arts Council	Winterfest	Commercial Rehab	Business Development Loans
Assets					
Cash	\$4,550,628	\$11,386	\$27,366	\$0	\$0
Restricted cash	0	0	0	42,681	350,432
Accounts receivable	2,796,216	0	350	0	0
Loans receivable	0	0	0	67,856	530,523
Note receivable	0	0	0	0	0
Investment in land	0	0	0	0	0
Due from other funds	0	0	0	0	0
Total Assets	\$7,346,844	\$11,386	\$27,716	\$110,537	\$880,955
Liabilities & Fund Balance					
Liabilities:					
Accounts payable	\$71,059	\$7,928	\$3,756	\$0	\$800
Deferred revenue	0	0	350	67,856	530,523
Unearned revenue	2,675,638	0	0	0	0
Accrued liabilities	65,087	2,216	0	0	0
Due to other funds	0	0	0	0	0
Total Liabilities	2,811,784	10,144	4,106	67,856	531,323
Fund Balance					
Reserve for land held for resale	0	0	0	0	0
Reserve for projects	0	0	0	0	0
Reserve for encumbrances	9,290	0	0	0	0
Unreserved/undesignated	4,525,770	1,242	23,610	42,681	349,632
Total Fund Balance	4,535,060	1,242	23,610	42,681	349,632
Total Liabilities & Fund Balance	\$7,346,844	\$11,386	\$27,716	\$110,537	\$880,955

Special Revenue

Rental Rehab	C.D.B.G.	Housing Rehab	Tax Increment	Homebuyer Assistance Revolving	Special Purpose Grant	New Development	Provo Foundation
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
467,673	0	851,591	5,789,018	153,322	0	1,077,526	4,059,422
0	307,674	15	9,606	0	0	0	0
663,846	0	1,134,415	0	0	0	8,733	0
0	0	0	0	0	0	0	120,000
0	0	0	0	0	0	0	0
0	590,512	0	0	0	0	0	0
<u>\$1,131,519</u>	<u>\$898,186</u>	<u>\$1,986,021</u>	<u>\$5,798,624</u>	<u>\$153,322</u>	<u>\$0</u>	<u>\$1,086,259</u>	<u>\$4,179,422</u>
\$0	\$17,083	\$0	\$403,961	\$0	\$0	(\$4,531)	\$378
663,846	0	1,134,415	0	0	0	8,733	120,000
0	0	0	0	0	0	0	0
0	13,638	0	0	0	0	0	0
0	837,475	130,587	2,087,587	48,000	275	8,560	0
<u>663,846</u>	<u>868,196</u>	<u>1,265,002</u>	<u>2,491,548</u>	<u>48,000</u>	<u>275</u>	<u>12,762</u>	<u>120,378</u>
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	4,059,044
0	404,849	315,762	249,572	0	651,007	0	0
467,673	(374,859)	405,257	3,057,504	105,322	(651,282)	1,073,497	0
<u>467,673</u>	<u>29,990</u>	<u>721,019</u>	<u>3,307,076</u>	<u>105,322</u>	<u>(275)</u>	<u>1,073,497</u>	<u>4,059,044</u>
<u>\$1,131,519</u>	<u>\$898,186</u>	<u>\$1,986,021</u>	<u>\$5,798,624</u>	<u>\$153,322</u>	<u>\$0</u>	<u>\$1,086,259</u>	<u>\$4,179,422</u>

PROVO CITY CORPORATION
Combining Balance Sheet
Other Governmental Funds
As of June 30, 2006

	<u>Special Revenue</u>	<u>Capital Projects</u>		
	C.N.R.C.C.	Mountain Vista	Economic Development	Special Improvement
Assets				
Cash	\$0	\$0	\$0	\$7,580
Restricted cash	421,652	498,973	0	0
Accounts receivable	0	0	4,800	0
Loans receivable	1,507,425	0	0	0
Note receivable	0	0	0	0
Investment in land	210,816	0	0	0
Due from other funds	0	0	1,047,465	0
Total Assets	<u>\$2,139,893</u>	<u>\$498,973</u>	<u>\$1,052,265</u>	<u>\$7,580</u>
Liabilities & Fund Balance				
Liabilities:				
Accounts payable	\$25,003	\$6,500	\$3,108	\$0
Deferred revenue	1,507,425	0	0	0
Unearned revenue	0	26,367	0	0
Accrued liabilities	0	0	0	0
Due to other funds	403,365	0	0	0
Total Liabilities	<u>1,935,793</u>	<u>32,867</u>	<u>3,108</u>	<u>0</u>
Fund Balance				
Reserve for land held for resale	210,816	0	0	0
Reserve for projects	0	0	0	0
Reserve for encumbrances	0	674,874	138,710	0
Unreserved/undesignated	(6,716)	(208,768)	910,447	7,580
Total Fund Balance	<u>204,100</u>	<u>466,106</u>	<u>1,049,157</u>	<u>7,580</u>
Total Liabilities & Fund Balance	<u>\$2,139,893</u>	<u>\$498,973</u>	<u>\$1,052,265</u>	<u>\$7,580</u>

Debt Service			Total Other Governmental Funds
Debt Service	Building Authority	Commercial Guaranty	
\$626,020	\$0	\$349,783	\$5,572,764
4,702	546,905	0	14,263,896
3,064,864	1,968	0	6,185,493
0	0	0	3,912,798
0	0	0	120,000
0	0	0	210,816
0	0	84,392	1,722,369
<u>\$3,695,586</u>	<u>\$548,873</u>	<u>\$434,175</u>	<u>\$31,988,136</u>

\$0	\$464,756	\$0	\$999,801
0	0	0	4,033,148
2,931,649	0	0	5,633,654
0	0	0	80,941
0	84,117	0	3,599,966
<u>2,931,649</u>	<u>548,873</u>	<u>0</u>	<u>14,347,510</u>

0	0	0	210,816
0	0	0	4,059,044
0	0	0	2,444,064
763,937	0	434,175	10,926,702
<u>763,937</u>	<u>0</u>	<u>434,175</u>	<u>17,640,626</u>
<u>\$3,695,586</u>	<u>\$548,873</u>	<u>\$434,175</u>	<u>\$31,988,136</u>

PROVO CITY CORPORATION
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Other Governmental Funds
For the year ended June 30, 2006

	Special Revenue			
	Library	Arts Council	Winterfest	Commercial Rehab
Revenues:				
Taxes	\$3,307,399	\$0	\$0	\$0
Intergovernmental	47,750	625	0	0
Charges for services	276,744	0	0	0
Interest income	191,274	317	1,156	1,099
Loan principal repayments	0	0	0	0
Loan interest repayments	0	0	0	0
Lease income	0	0	0	0
Miscellaneous	4,790	14,925	46,084	0
Total revenues	3,827,957	15,867	47,240	1,099
Expenditures:				
Current:				
General government	0	0	0	0
Culture and recreation	3,362,758	154,948	59,362	0
Community revitalization	0	0	0	546
Total current expenditures	3,362,758	154,948	59,362	546
Debt service:				
Interest expense	0	0	0	0
Rent/Lease	11,100	1,350	0	0
Principal on debt	0	0	0	0
Service fees on debt	0	0	0	0
Debt cost of issuance	0	0	0	0
Bond premium	0	0	0	0
Total debt service	11,100	1,350	0	0
Capital outlay:				
Capital outlay	0	0	0	0
Total expenditures	3,373,858	156,298	59,362	546
Excess (deficiency) of revenues over (under) expenditures	454,099	(140,431)	(12,122)	553
Other financing sources (uses):				
Transfers from other funds	31,774	139,449	13,000	0
Transfers to other funds	(21,895)	0	0	0
Proceeds from land sales	0	0	0	0
Issuance of debt	0	0	0	0
Total other financing sources (uses)	9,879	139,449	13,000	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	463,978	(982)	878	553
Fund balance beginning as originally stated	4,071,082	2,224	22,732	42,128
Prior period adjustment	0	0	0	0
Fund balance at beginning of year, as restated	4,071,082	2,224	22,732	42,128
Fund balance at end of year	\$4,535,060	\$1,242	\$23,610	\$42,681

Special Revenue						
Business Development Loans	Rental Rehab	C.D.B.G.	Housing Rehab	Tax Increment	Homebuyer Assistance Revolving	Special Purpose Grants
\$0	\$0	\$0	\$0	\$1,147,781	\$0	\$0
0	0	1,516,246	0	0	0	342,818
0	0	0	0	0	0	0
19,965	18,272	(2,879)	29,689	111,322	0	0
147,335	42,288	0	336,647	954	0	0
21,871	43	0	899	98	0	0
0	0	0	0	0	0	0
0	0	158,967	0	138,527	0	0
189,171	60,603	1,672,334	367,235	1,398,682	0	342,818
0	0	0	0	0	0	0
0	0	0	0	0	0	0
478,359	2,120	1,467,388	6,070	1,610,242	48,000	343,093
478,359	2,120	1,467,388	6,070	1,610,242	48,000	343,093
0	0	56,781	0	0	0	0
0	0	44,783	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	21,000	0	0
0	0	0	0	31,903	0	0
0	0	0	0	0	0	0
0	0	101,564	0	52,903	0	0
0	0	0	0	0	0	0
478,359	2,120	1,568,952	6,070	1,663,145	48,000	343,093
(289,188)	58,483	103,382	361,165	(264,463)	(48,000)	(275)
0	0	580,878	0	338,188	201,322	0
0	(109,492)	(925,530)	(192,482)	0	(48,000)	0
0	0	0	0	0	0	0
0	0	0	0	2,100,000	0	0
0	(109,492)	(344,652)	(192,482)	2,438,188	153,322	0
(289,188)	(51,009)	(241,271)	168,683	2,173,725	105,322	(275)
638,820	518,682	271,261	552,336	1,471,539	0	0
0	0	0	0	(338,188)	0	0
638,820	518,682	271,261	552,336	1,133,351	0	0
\$349,632	\$467,673	\$29,990	\$721,019	\$3,307,076	\$105,322	(\$275)

PROVO CITY CORPORATION
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Other Governmental Funds
For the year ended June 30, 2006

	<u>Special Revenue</u>		
	<u>New Development</u>	<u>Provo Foundation</u>	<u>C.N.R.C.C.</u>
Revenues:			
Taxes	\$0	\$0	\$0
Intergovernmental	0	7,000	0
Charges for services	0	0	568,918
Interest income	50,258	104,871	0
Loan principal repayments	67,470	0	0
Loan interest repayments	4,078	0	0
Lease income	0	0	0
Miscellaneous	473,563	2,031,652	0
Total revenues	<u>595,369</u>	<u>2,143,523</u>	<u>568,918</u>
Expenditures:			
Current:			
General government	0	0	0
Culture and recreation	0	0	0
Community revitalization	530,412	58,827	1,159,968
Total current expenditures	<u>530,412</u>	<u>58,827</u>	<u>1,159,968</u>
Debt service:			
Interest expense	0	0	0
Rent/Lease	0	2,450	0
Principal on debt	0	0	0
Service fees on debt	0	0	0
Debt cost of issuance	0	0	0
Bond premium	0	0	0
Total debt service	<u>0</u>	<u>2,450</u>	<u>0</u>
Capital outlay:			
Capital outlay	0	0	0
Total expenditures	<u>530,412</u>	<u>61,277</u>	<u>1,159,968</u>
Excess (deficiency) of revenues over (under) expenditures	<u>64,957</u>	<u>2,082,246</u>	<u>(591,050)</u>
Other financing sources (uses):			
Transfers from other funds	0	0	320,597
Transfers to other funds	(8,560)	(23,530)	(485,139)
Proceeds from land sales	0	28,930	(16,402)
Issuance of debt	0	0	0
Total other financing sources (uses)	<u>(8,560)</u>	<u>5,400</u>	<u>(180,944)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>56,396</u>	<u>2,087,646</u>	<u>(771,994)</u>
Fund balance beginning as originally stated	<u>1,017,101</u>	<u>1,971,398</u>	<u>976,094</u>
Prior period adjustment	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance at beginning of year, as restated	<u>1,017,101</u>	<u>1,971,398</u>	<u>976,094</u>
Fund balance at end of year	<u>\$1,073,497</u>	<u>\$4,059,044</u>	<u>\$204,100</u>

Capital Projects			Debt Service			Total Other Governmental Funds
Mountain Vista	Economic Development	Special Improvement	Debt Service	Building Authority	Commercial Guaranty	
\$0	\$0	\$0	\$3,654,251	\$0	\$0	\$8,109,431
438,944	20,000	0	0	0	0	2,373,383
0	0	0	0	0	0	845,662
21,847	28,822	383	39,986	0	18,370	634,750
0	0	0	0	0	0	594,694
0	0	0	0	0	0	26,988
0	66,481	0	0	660,423	0	726,905
189,716	0	0	761	0	0	3,058,985
650,507	115,303	383	3,694,998	660,423	18,370	16,370,798
0	0	0	5,610	0	0	5,610
0	0	0	0	0	0	3,577,068
0	0	0	0	0	0	5,705,025
0	0	0	5,610	0	0	9,287,703
0	0	0	999,377	208,998	0	1,265,155
0	68,251	0	0	0	0	127,934
0	0	0	6,132,818	450,000	0	6,582,818
0	0	0	6,702	1,425	0	29,127
0	0	0	63,155	0	0	95,058
0	0	0	(116,529)	0	0	(116,529)
0	68,251	0	7,085,523	660,423	0	7,983,563
520,681	115,471	0	0	0	0	636,152
520,681	183,722	0	7,091,133	660,423	0	17,907,418
129,826	(68,419)	383	(3,396,135)	0	18,370	(1,536,620)
0	0	0	306,405	0	0	1,931,613
0	0	0	0	0	0	(1,814,628)
0	0	0	0	0	0	12,528
0	0	0	3,210,087	0	0	5,310,087
0	0	0	3,516,492	0	0	5,439,600
129,826	(68,419)	383	120,358	0	18,370	3,902,980
336,280	1,117,576	7,197	643,579	0	415,805	14,075,834
0	0	0	0	0	0	(338,188)
336,280	1,117,576	7,197	643,579	0	415,805	13,737,646
\$466,106	\$1,049,157	\$7,580	\$763,937	\$0	\$434,175	\$17,640,626

PROVO CITY CORPORATION
General CIP Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Impact fees	\$736,833	\$0	\$736,833
State grant	96,709	0	96,709
Charge for services	144,463	104,300	40,163
Interest income	278,277	67,644	210,633
Miscellaneous	585,411	6,531,516	(5,946,105)
Total revenues	<u>1,841,693</u>	<u>6,703,460</u>	<u>(4,861,767)</u>
Expenditures:			
Current:			
Salaries and wages	18,126	0	(18,126)
Employee benefits	1,920	0	(1,920)
Operating expenses	4,421,351	4,511,326	89,975
Total current expenditures	<u>4,441,397</u>	<u>4,511,326</u>	<u>69,929</u>
Debt service:			
Rent/Lease	366	0	(366)
Debt cost of issuance	0	0	0
Total debt service	<u>366</u>	<u>0</u>	<u>(366)</u>
Total expenditures	<u>4,441,763</u>	<u>4,511,326</u>	<u>69,563</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,600,070)</u>	<u>2,192,134</u>	<u>(4,792,204)</u>
Other financing sources (uses):			
Transfer from general fund	665,000	780,000	(115,000)
Transfer from facilities maint	110,000	110,000	0
Transfer to airport cip	(11,270)	(11,270)	0
Transfer to vehicle management	(53,486)	(53,486)	0
Proceeds from land sales	9,594	0	9,594
Issuance of debt	5,929,913	5,970,796	(40,883)
Total other financing sources (uses):	<u>6,649,751</u>	<u>6,796,040</u>	<u>(146,289)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,049,681	<u><u>\$8,988,174</u></u>	<u><u>(\$4,938,493)</u></u>
Fund balance at beginning of year	<u>4,932,905</u>		
Fund balance at end of year	<u><u>\$8,982,586</u></u>		

PROVO CITY CORPORATION
Library Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Property taxes	\$2,962,429	\$2,813,379	\$149,050
Vehicle taxes	344,970	288,250	56,720
Federal grant	27,784	25,084	2,700
State grant	19,966	19,966	0
Charge for services	276,744	252,200	24,544
Interest income	191,274	97,194	94,080
Miscellaneous	4,790	12,000	(7,210)
Total revenues	3,827,957	3,508,073	319,884
Expenditures:			
Current:			
Salaries and wages	1,578,758	1,558,492	(20,266)
Employee benefits	503,081	533,831	30,750
Operating expenses	1,280,920	1,304,461	23,541
Total current expenditures	3,362,758	3,396,784	34,025
Debt service:			
Rent/Lease	11,100	12,000	900
Total debt service	11,100	12,000	900
Total expenditures	3,373,858	3,408,784	34,925
Excess (deficiency) of revenues over (under) expenditures	454,099	99,289	354,809
Other financing sources (uses):			
Transfer from employee benefits	31,774	31,774	0
Transfer to employee benefits	(21,895)	(21,896)	1
Total other financing sources (uses):	9,879	9,878	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	463,978	\$109,167	\$354,809
Fund balance at beginning of year	4,071,082		
Fund balance at end of year	\$4,535,060		

PROVO CITY CORPORATION
Arts Council Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Federal grant	\$625	\$0	\$625
Interest income	317	0	317
Miscellaneous	14,925	21,000	(6,075)
Total revenues	<u>15,867</u>	<u>21,000</u>	<u>(5,133)</u>
Expenditures:			
Current:			
Salaries and wages	60,018	61,117	1,099
Employee benefits	23,092	23,271	179
Operating expenses	71,838	71,811	(27)
Total current expenditures	<u>154,948</u>	<u>156,199</u>	<u>1,251</u>
Debt service:			
Rent/Lease	1,350	4,250	2,900
Total debt service	<u>1,350</u>	<u>4,250</u>	<u>2,900</u>
Total expenditures	<u>156,298</u>	<u>160,449</u>	<u>4,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(140,431)</u>	<u>(139,449)</u>	<u>(982)</u>
Other financing sources (uses):			
Transfer from general fund	138,115	138,115	0
Transfer from employee benefit	1,334	1,334	0
Total other financing sources (uses):	<u>139,449</u>	<u>139,449</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(982)	<u>\$0</u>	<u>(\$982)</u>
Fund balance at beginning of year	<u>2,224</u>		
Fund balance at end of year	<u><u>\$1,242</u></u>		

PROVO CITY CORPORATION
Winterfest Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Interest income	\$1,156	\$0	\$1,156
Miscellaneous	46,084	48,934	(2,850)
Total revenues	<u>47,240</u>	<u>48,934</u>	<u>(1,694)</u>
Expenditures:			
Current:			
Operating expenses	59,362	60,000	638
Total current expenditures	<u>59,362</u>	<u>60,000</u>	<u>638</u>
Total expenditures	<u>59,362</u>	<u>60,000</u>	<u>638</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,122)</u>	<u>(11,066)</u>	<u>(1,056)</u>
Other financing sources (uses):			
Transfer from general fund	13,000	13,000	0
Total other financing sources (uses):	<u>13,000</u>	<u>13,000</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	878	<u>\$1,934</u>	<u>(\$1,056)</u>
Fund balance at beginning of year	<u>22,732</u>		
Fund balance at end of year	<u>\$23,610</u>		

PROVO CITY CORPORATION
Commercial Rehab Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Interest income	<u>\$1,099</u>	<u>\$1,870</u>	<u>(\$771)</u>
Total revenues	<u>1,099</u>	<u>1,870</u>	<u>(771)</u>
Expenditures:			
Current:			
Operating expenses	<u>546</u>	<u>824</u>	<u>278</u>
Total current expenditures	<u>546</u>	<u>824</u>	<u>278</u>
Total expenditures	<u>546</u>	<u>824</u>	<u>278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>553</u>	<u>1,046</u>	<u>(493)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>553</u>	<u>\$1,046</u>	<u>(\$493)</u>
Fund balance at beginning of year	<u>42,128</u>		
Fund balance at end of year	<u>\$42,681</u>		

PROVO CITY CORPORATION
Business Dev. Corp. of Provo Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Interest income	\$19,965	\$22,000	(\$2,035)
Principal payments	147,335	187,404	(40,069)
Interest payments	21,871	69,648	(47,777)
Miscellaneous	0	10,843	(10,843)
Total revenues	<u>189,171</u>	<u>289,895</u>	<u>(100,724)</u>
Expenditures:			
Current:			
Operating expenses	478,359	490,069	11,710
Total current expenditures	<u>478,359</u>	<u>490,069</u>	<u>11,710</u>
Total expenditures	<u>478,359</u>	<u>490,069</u>	<u>11,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(289,188)</u>	<u>(200,174)</u>	<u>(89,014)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(289,188)	<u>(\$200,174)</u>	<u>(\$89,014)</u>
Fund balance at beginning of year	<u>638,820</u>		
Fund balance at end of year	<u><u>\$349,632</u></u>		

PROVO CITY CORPORATION
Rental Rehab Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Interest income	\$18,272	\$7,300	10,972
Principal payments	42,288	42,310	(22)
Interest payments	43	850	(807)
Total revenues	<u>60,603</u>	<u>50,460</u>	<u>10,143</u>
Expenditures:			
Current:			
Operating expenses	2,120	3,467	1,347
Total current expenditures	2,120	3,467	1,347
Total expenditures	<u>2,120</u>	<u>3,467</u>	<u>1,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,483</u>	<u>46,993</u>	<u>11,490</u>
Other financing sources (uses):			
Transfer to general fund	(109,492)	(109,492)	0
Total other financing sources (uses):	<u>(109,492)</u>	<u>(109,492)</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(51,009)	<u>(\$62,499)</u>	<u>\$11,490</u>
Fund balance at beginning of year	<u>518,682</u>		
Fund balance at end of year	<u><u>\$467,673</u></u>		

PROVO CITY CORPORATION
C.D.B.G. Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Federal grant	\$1,516,246	\$2,001,549	(\$485,303)
Interest income	(2,879)	0	(2,879)
Miscellaneous	158,967	379,400	(220,433)
Total revenues	<u>1,672,334</u>	<u>2,380,949</u>	<u>(708,615)</u>
Expenditures:			
Current:			
Salaries and wages	261,147	350,570	89,423
Employee benefits	136,217	149,780	13,563
Operating expenses	1,070,024	1,988,456	918,432
Total current expenditures	<u>1,467,388</u>	<u>2,488,806</u>	<u>1,021,418</u>
Debt service:			
Rent/Lease	44,783	53,000	8,217
Interest on debt 108 loan	53,882	0	(53,882)
Interest - cash accounts	2,899	0	(2,899)
Total debt service	<u>101,564</u>	<u>53,000</u>	<u>(48,564)</u>
Capital outlay:			
Capital outlay	0	7,000	7,000
Total expenditures	<u>1,568,952</u>	<u>2,548,806</u>	<u>979,854</u>
Excess (deficiency) of revenues over (under) expenditures	<u>103,382</u>	<u>(167,857)</u>	<u>271,239</u>
Other financing sources (uses):			
Transfer from housing rehab	41,160	0	41,160
Transfer from CNRCC	483,158	79,793	403,365
Transfer from new development	8,560	0	8,560
Transfer from Homebuyer Assist	48,000	0	48,000
Transfer to general fund	(79,793)	(79,793)	0
Transfer to Justice Court	(475,140)	(475,140)	0
Transfer to housing rehab	0	(130,587)	130,587
Transfer to CNRCC	(320,597)	(320,597)	0
Transfer to homebuyer assistance	(50,000)	(50,000)	0
Total other financing sources (uses):	<u>(344,652)</u>	<u>(976,324)</u>	<u>631,672</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(241,271)</u>	<u>(\$1,144,181)</u>	<u>\$902,911</u>
Fund balance at beginning of year	<u>271,261</u>		
Fund balance at end of year	<u>\$29,990</u>		

PROVO CITY CORPORATION
Housing Rehabilitation Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Interest income	\$29,689	\$20,000	\$9,689
Principal payments	336,647	126,062	210,585
Interest payments	899	4,739	(3,840)
Loan interest repayments	367,234	150,801	216,433
Miscellaneous	0	6,592	(6,592)
Total revenues	<u>367,235</u>	<u>157,393</u>	<u>209,842</u>
Expenditures:			
Current:			
Operating expenses	6,070	21,592	15,522
Total current expenditures	<u>6,070</u>	<u>21,592</u>	<u>15,522</u>
Total expenditures	<u>6,070</u>	<u>21,592</u>	<u>15,522</u>
Excess (deficiency) of revenues over (under) expenditures	<u>361,165</u>	<u>135,801</u>	<u>225,364</u>
Other financing sources (uses):			
Transfer from CDBG	0	130,587	(130,587)
Transfer to CDBG	(41,160)	(41,160)	0
Transfer to homebuyer assistance	(151,322)	(151,322)	0
Total other financing sources (uses):	<u>(192,482)</u>	<u>(61,895)</u>	<u>(130,587)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	168,683	<u>\$73,906</u>	<u>\$94,777</u>
Fund balance at beginning of year	<u>552,336</u>		
Fund balance at end of year	<u>\$721,019</u>		

PROVO CITY CORPORATION
Tax Increment Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Property taxes	\$1,147,781	\$1,440,000	(\$292,219)
Interest income	111,322	24,000	87,322
Principal payments	954	3,000	(2,046)
Interest payments	98	600	(502)
Miscellaneous	138,527	1,052,198	(913,671)
Total revenues	<u>1,398,682</u>	<u>2,519,798</u>	<u>(1,121,116)</u>
Expenditures:			
Current:			
Operating expenses	1,610,242	2,818,414	1,208,172
Total current expenditures	<u>1,610,242</u>	<u>2,818,414</u>	<u>1,208,172</u>
Debt service:			
Service fees on debt	21,000	21,000	0
Debt cost of issuance	31,903	31,903	0
Total debt service	<u>52,903</u>	<u>52,903</u>	<u>0</u>
Total expenditures	<u>1,663,145</u>	<u>3,041,317</u>	<u>1,378,172</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(264,463)</u>	<u>(521,519)</u>	<u>257,056</u>
Other financing sources (uses):			
Transfer from general fund	338,188	338,188	0
Issuance of debt	2,100,000	2,100,000	0
Total other financing sources (uses):	<u>2,438,188</u>	<u>2,438,188</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>2,173,725</u>	<u>\$1,916,669</u>	<u>\$257,056</u>
Fund balance at beginning of year, as restated	<u>1,133,351</u>		
Fund balance at end of year	<u>\$3,307,076</u>		

PROVO CITY CORPORATION
Homebuyer Assistance Revolving Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Charge for services	\$0	\$21,030	(\$21,030)
Total revenues	<u>0</u>	<u>21,030</u>	<u>(21,030)</u>
Expenditures:			
Current:			
Operating expenses	48,000	48,000	0
Total current expenditures	<u>48,000</u>	<u>48,000</u>	<u>0</u>
Total expenditures	<u>48,000</u>	<u>48,000</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,000)</u>	<u>(26,970)</u>	<u>(21,030)</u>
Other financing sources (uses):			
Transfer from CDBG	50,000	50,000	0
Transfer from housing rehab	151,322	0	151,322
Transfer to CDBG	(48,000)	0	(48,000)
Total other financing sources (uses):	<u>153,322</u>	<u>50,000</u>	<u>103,322</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	105,322	<u>\$23,030</u>	<u>\$82,292</u>
Fund balance at beginning of year	<u>0</u>		
Fund balance at end of year	<u>\$105,322</u>		

PROVO CITY CORPORATION
Special Purpose Grants Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Federal grant	\$342,818	\$0	\$342,818
Charge for services	0	994,100	(994,100)
Total revenues	<u>342,818</u>	<u>994,100</u>	<u>(651,282)</u>
Expenditures:			
Current:			
Operating expenses	343,093	343,093	(0)
Total current expenditures	<u>343,093</u>	<u>343,093</u>	<u>(0)</u>
Total expenditures	<u>343,093</u>	<u>343,093</u>	<u>(0)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(275)</u>	<u>651,007</u>	<u>(651,282)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(275)	<u>\$651,007</u>	<u>(\$651,282)</u>
Fund balance at beginning of year	<u>0</u>		
Fund balance at end of year	<u>(\$275)</u>		

PROVO CITY CORPORATION
New Development Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Interest income	\$50,258	\$35,000	\$15,258
Principal payments	67,470	15,000	52,470
Interest payments	4,078	4,000	78
Miscellaneous	473,563	659,000	(185,437)
Total revenues	<u>595,369</u>	<u>713,000</u>	<u>(117,631)</u>
Expenditures:			
Current:			
Operating expenses	530,412	534,897	4,485
Total current expenditures	<u>530,412</u>	<u>534,897</u>	<u>4,485</u>
Total expenditures	<u>530,412</u>	<u>534,897</u>	<u>4,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>64,957</u>	<u>178,103</u>	<u>(113,146)</u>
Other financing sources (uses):			
Transfer to CDBG	(8,560)	(8,560)	0
Total other financing sources (uses):	<u>(8,560)</u>	<u>(8,560)</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	56,396	<u>\$169,543</u>	<u>(\$113,146)</u>
Fund balance at beginning of year	<u>1,017,101</u>		
Fund balance at end of year	<u>\$1,073,497</u>		

PROVO CITY CORPORATION
Provo Foundation Exp. Trust Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Federal grant	\$7,000	\$7,000	\$0
Interest income	104,871	100,000	4,871
Library donations	608	0	608
Loan interest repayments	105,478	100,000	5,478
Miscellaneous	2,031,044	483,872	1,547,172
Total revenues	2,143,523	590,872	1,552,651
Expenditures:			
Current:			
Salaries and wages	2,844	0	(2,844)
Operating expenses	55,983	61,276	5,293
Total current expenditures	58,827	61,276	2,449
Debt service:			
Rent/Lease	2,450	0	(2,450)
Total debt service	2,450	0	(2,450)
Total expenditures	61,277	61,276	(1)
Excess (deficiency) of revenues over (under) expenditures	2,082,246	529,596	1,552,650
Other financing sources (uses):			
Transfer to senior games	(23,530)	(23,530)	0
Proceeds from land sales	28,930	0	28,930
Total other financing sources (uses):	5,400	(23,530)	28,930
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,087,646	\$506,066	\$1,581,580
Fund balance at beginning of year	1,971,398		
Fund balance at end of year	\$4,059,044		

PROVO CITY CORPORATION
CNRCC Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Charge for services	\$568,918	\$557,136	\$11,782
Total revenues	<u>568,918</u>	<u>557,136</u>	<u>11,782</u>
Expenditures:			
Current:			
Operating expenses	1,159,968	1,191,380	31,412
Total current expenditures	<u>1,159,968</u>	<u>1,191,380</u>	<u>31,412</u>
Total expenditures	<u>1,159,968</u>	<u>1,191,380</u>	<u>31,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(591,050)</u>	<u>(634,244)</u>	<u>43,194</u>
Other financing sources (uses):			
Proceeds from land sales	(16,402)	0	(16,402)
Transfer from CDBG	320,597	320,597	0
Transfer to general fund	(1,980)	0	(1,980)
Transfer to CDBG	(483,158)	0	(483,158)
Total other financing sources (uses):	<u>(180,944)</u>	<u>320,597</u>	<u>(501,541)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(771,994)</u>	<u><u>(\$313,647)</u></u>	<u><u>(\$458,347)</u></u>
Fund balance at beginning of year	<u>976,094</u>		
Fund balance at end of year	<u><u>\$204,100</u></u>		

PROVO CITY CORPORATION
Mountain Vista Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Federal grant	\$438,944	\$0	\$438,944
Interest income	21,847	10,000	11,847
Miscellaneous	189,716	0	189,716
Total revenues	<u>650,507</u>	<u>10,000</u>	<u>640,507</u>
Expenditures:			
Current:			
Operating expenses	520,681	522,528	1,847
Total current expenditures	520,681	522,528	1,847
Total expenditures	<u>520,681</u>	<u>522,528</u>	<u>1,847</u>
Excess (deficiency) of revenues over (under) expenditures	<u>129,826</u>	<u>(512,528)</u>	<u>642,354</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	129,826	<u><u>(\$512,528)</u></u>	<u><u>\$642,354</u></u>
Fund balance at beginning of year	<u>336,280</u>		
Fund balance at end of year	<u><u>\$466,106</u></u>		

PROVO CITY CORPORATION
Economic Development Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Federal grant	\$20,000	\$0	\$20,000
Interest income	28,822	24,000	4,822
Lease income	66,481	0	66,481
Total revenues	<u>115,303</u>	<u>24,000</u>	<u>24,822</u>
Expenditures:			
Operating expenses	0	613,914	613,914
Total current expenditures	<u>0</u>	<u>613,914</u>	<u>613,914</u>
Debt service:			
Rent/Lease	68,251	70,000	1,749
Total debt service	<u>68,251</u>	<u>70,000</u>	<u>1,749</u>
Capital outlay:			
Capital outlay	115,471	0	(115,471)
Total expenditures	<u>183,722</u>	<u>683,914</u>	<u>500,192</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,419)</u>	<u>(659,914)</u>	<u>525,014</u>
Other financing sources (uses):			
Proceeds from land sales	0	250,000	(250,000)
Total other financing sources (uses):	<u>0</u>	<u>250,000</u>	<u>(250,000)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(68,419)</u>	<u>(\$409,914)</u>	<u>\$275,014</u>
Fund balance at beginning of year	<u>1,117,576</u>		
Fund balance at end of year	<u>\$1,049,157</u>		

PROVO CITY CORPORATION
Special Improvement Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Interest income	\$383	\$0	\$383
Total revenues	<u>383</u>	<u>0</u>	<u>383</u>
Expenditures:			
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>383</u>	<u>0</u>	<u>383</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	383	<u><u>\$0</u></u>	<u><u>\$383</u></u>
Fund balance at beginning of year	<u>7,197</u>		
Fund balance at end of year	<u><u>\$7,580</u></u>		

PROVO CITY CORPORATION
Debt Service Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Property taxes	\$3,273,250	\$3,121,694	\$151,556
Vehicle taxes	381,001	310,000	71,001
Interest income	39,986	35,000	4,986
Miscellaneous	761	0	761
Total revenues	<u>3,694,998</u>	<u>3,466,694</u>	<u>228,304</u>
Expenditures:			
Current:			
Operating expenses	5,610	530,382	524,772
Total current expenditures	<u>5,610</u>	<u>530,382</u>	<u>524,772</u>
Debt service:			
Rent/Lease	0	309,697	309,697
Principal on debt	6,132,818	6,270,000	137,182
Interest on debt	999,377	850,694	(148,683)
Service fees on debt	6,702	8,000	1,298
Debt cost of issuance	63,155	0	(63,155)
Bond premium	(116,529)	0	116,529
Total debt service	<u>7,085,523</u>	<u>7,438,391</u>	<u>352,868</u>
Total expenditures	<u>7,091,133</u>	<u>7,968,773</u>	<u>877,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,396,135)</u>	<u>(4,502,079)</u>	<u>1,105,944</u>
Other financing sources (uses):			
Transfer from general fund	176,000	176,000	0
Transfer from water	13,406	13,406	0
Transfer from wastewater	9,713	9,713	0
Transfer from energy	100,000	100,000	0
Transfer from sanitation	7,286	7,286	0
Issuance of debt	3,210,087	3,210,087	0
Total other financing sources (uses):	<u>3,516,492</u>	<u>3,516,492</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	120,358	<u>(\$985,587)</u>	<u>\$1,105,944</u>
Fund balance at beginning of year	<u>643,579</u>		
Fund balance at end of year	<u>\$763,937</u>		

PROVO CITY CORPORATION
Building Authority Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Revenues:			
Interest income	\$0	\$15,000	(\$15,000)
Lease income	660,423	0	660,423
Total revenues	<u>660,423</u>	<u>15,000</u>	<u>645,423</u>
Expenditures:			
Debt service:			
Principal on debt	450,000	450,000	0
Interest on debt	208,998	208,998	0
Service fees on debt	1,425	6,000	4,575
Total debt service	<u>660,423</u>	<u>664,998</u>	<u>4,575</u>
Total expenditures	<u>660,423</u>	<u>664,998</u>	<u>4,575</u>
Excess (deficiency) of revenues over (under) expenditures	<u>0</u>	<u>(649,998)</u>	<u>649,998</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	<u>(\$649,998)</u>	<u>\$649,998</u>
Fund balance at beginning of year	<u>0</u>		
Fund balance at end of year	<u><u>\$0</u></u>		

PROVO CITY CORPORATION
Guaranty Fund
Comparative Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget & Actual
For the year ended June 30, 2006

	Actual	Budget	Variance
Revenues:			
Interest income	\$18,370	\$0	\$18,370
Total revenues	<u>18,370</u>	<u>0</u>	<u>18,370</u>
Expenditures:			
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,370</u>	<u>0</u>	<u>18,370</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	18,370	<u>\$0</u>	<u>\$18,370</u>
Fund balance at beginning of year	<u>415,805</u>		
Fund balance at end of year	<u><u>\$434,175</u></u>		



This page is intentionally left blank.

PROVO CITY CORPORATION
Combining Balance Sheet
Other Enterprise Funds
As of June 30, 2006

	Storm Drain	Sanitation	Total Other Enterprise Funds
Assets			
Current Assets:			
Cash	\$2,068,392	\$1,065,872	\$3,134,264
Restricted cash	1,386,046	0	1,386,046
Accounts receivable	193,590	341,019	534,609
Total Current Assets	<u>3,648,028</u>	<u>1,406,891</u>	<u>5,054,919</u>
Capital Assets:			
Non Depreciable	292,603	138,936	431,539
Depreciable assets	9,348,222	24,304	9,372,526
Net Capital Assets	<u>9,640,825</u>	<u>163,240</u>	<u>9,804,065</u>
Total Assets	<u><u>\$13,288,853</u></u>	<u><u>\$1,570,131</u></u>	<u><u>\$14,858,984</u></u>
Liabilities & Net Assets			
Liabilities:			
Accounts payable	\$22,356	\$72,225	\$94,581
Accrued liabilities	19,017	24,869	43,886
Accrued interest payable	25,805	0	25,805
Accrued compensated absences	5,488	4,681	10,169
Bonds, leases and loans payable	395,000	0	395,000
Total Current Liabilities	<u>467,666</u>	<u>101,775</u>	<u>569,441</u>
Long-term Liabilities			
Accrued compensated absences	104,277	88,938	193,215
Bonds payable	6,407,146	0	6,407,146
Total Long-term Liabilities	<u>6,511,423</u>	<u>88,938</u>	<u>6,600,361</u>
Total Liabilities	<u>6,979,089</u>	<u>190,713</u>	<u>7,169,802</u>
Net Assets			
Invested in capital assets, net of related debt	2,838,679	163,240	3,001,919
Restricted for debt service	735,000	0	735,000
Unrestricted	2,736,085	1,216,178	3,952,263
Total Net Assets	<u>6,309,764</u>	<u>1,379,418</u>	<u>7,689,182</u>
Total Liabilities & Net Assets	<u><u>\$13,288,853</u></u>	<u><u>\$1,570,131</u></u>	<u><u>\$14,858,984</u></u>

PROVO CITY CORPORATION
Combining Statement of Revenues, Expenses and
Changes in Net Assets
Other Enterprise funds
For the year ended June 30, 2006

	Storm Drain	Sanitation	Total Other Enterprise Funds
Operating Revenues:			
Charges for services	\$1,703,885	\$3,008,500	\$4,712,385
Miscellaneous	18,469	20,225	38,694
Total operating revenues	<u>1,722,354</u>	<u>3,028,725</u>	<u>4,751,079</u>
Operating expenses:			
Salaries and wages	445,690	645,213	1,090,903
Employee benefits	171,537	273,448	444,985
Operating expenses	503,412	1,600,804	2,104,216
Depreciation	349,667	2,314	351,981
Total operating expenses	<u>1,470,306</u>	<u>2,521,779</u>	<u>3,992,085</u>
Operating income (loss)	<u>252,048</u>	<u>506,946</u>	<u>758,994</u>
Nonoperating revenues (expenses)			
Impact fees	279,408	0	279,408
Federal grants	0	0	0
Interest income	107,917	43,148	151,065
Interest on debt	(53,438)	0	(53,438)
Total nonoperating revenues (expenses)	<u>333,887</u>	<u>43,148</u>	<u>377,035</u>
Income before operating transfers	<u>585,935</u>	<u>550,094</u>	<u>1,136,029</u>
Operating transfers			
Transfers from other funds	9,363	12,494	21,857
Transfers to other funds	(26,112)	(318,803)	(344,915)
Change in net assets	<u>569,186</u>	<u>243,785</u>	<u>812,971</u>
Net Assets beginning as originally stated	5,768,924	1,146,655	6,915,579
Prior period adjustments	<u>(28,346)</u>	<u>(11,022)</u>	<u>(39,368)</u>
Net Assets at beginning of year, as restated	<u>5,740,578</u>	<u>1,135,633</u>	<u>6,876,211</u>
Net Assets at end of year	<u><u>\$6,309,764</u></u>	<u><u>\$1,379,418</u></u>	<u><u>\$7,689,182</u></u>

PROVO CITY CORPORATION
Combining Statement of Cash Flows
Other Enterprise Funds
For the year ended June 30, 2006

	Storm Drain	Sanitation	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers and users	\$1,704,469	\$2,997,590	\$4,702,059
Payments to suppliers	(546,179)	(1,624,650)	(2,170,829)
Payments to employees	(612,151)	(897,092)	(1,509,243)
Net cash provided by operating activities	<u>546,139</u>	<u>475,848</u>	<u>1,021,987</u>
Cash flows from noncapital financing activities:			
Loans due from other funds	2,091,464	0	2,091,464
Loans due to other funds	(6,250)	0	(6,250)
Transfer from other funds	9,363	12,494	21,857
Transfers to other funds	(26,112)	(318,803)	(344,915)
Net cash provided (used) by noncapital financing activities	<u>2,068,465</u>	<u>(306,309)</u>	<u>1,762,156</u>
Cash flows from capital and related financing activities:			
Impact fees	279,408	0	279,408
Transfers of assets to (from) other funds	11,107	4,350	15,457
Payments for capital acquisitions	(413,035)	0	(413,035)
Principal paid on bonds payable	(380,000)	0	(380,000)
Interest paid on bonds payable	(43,678)	0	(43,678)
Net cash provided (used) by capital and related financing activities	<u>(546,198)</u>	<u>4,350</u>	<u>(541,848)</u>
Cash flows from investing activities:			
Receipts of interest	107,917	43,148	151,065
Net cash provided by investing activities	<u>107,917</u>	<u>43,148</u>	<u>151,065</u>
Net increase in cash	<u>2,176,323</u>	<u>217,037</u>	<u>2,393,360</u>
Cash at beginning of year	<u>1,278,115</u>	<u>848,835</u>	<u>2,126,950</u>
Cash at end of year	<u><u>\$3,454,438</u></u>	<u><u>\$1,065,872</u></u>	<u><u>\$4,520,310</u></u>
Cash at end of year consists of:			
Cash	\$2,068,392	\$1,065,872	\$3,134,264
Restricted cash	1,386,046	0	1,386,046
Total Cash	<u><u>\$3,454,438</u></u>	<u><u>\$1,065,872</u></u>	<u><u>\$4,520,310</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income	\$252,048	\$506,946	\$758,994
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	349,667	2,314	351,981
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(17,885)	(31,134)	(49,019)
Increase (decrease) in accounts payable	(42,768)	(23,847)	(66,615)
Increase (decrease) in accrued liabilities	2,073	2,630	4,703
Increase (decrease) in accrued compensated absences	3,004	18,939	21,943
Net cash provided by operating activities	<u><u>\$546,139</u></u>	<u><u>\$475,848</u></u>	<u><u>\$1,021,987</u></u>

PROVO CITY CORPORATION
Combining Balance Sheet
Internal Service Funds
As of June 30, 2006

	Employee Benefits	Insurance/ Claims	Vehicle Management	Computer Lease	Capital Resource	Facility Services	Total Internal Service Funds
Assets							
Current Assets:							
Cash	\$1,188,019	\$591,853	\$4,257,552	\$259,771	\$0	\$155,141	\$6,452,336
Accounts receivable	0	0	7,784	0	0	0	7,784
Inventory	0	0	94,558	0	0	10,564	105,122
Current due from other funds	26,607	0	0	0	0	0	26,607
Total Current Assets	1,214,626	591,853	4,359,894	259,771	0	165,705	6,591,849
Capital Assets							
Depreciable assets	1	0	8,988,571	0	0	138,882	9,127,454
Net Capital Assets	1	0	8,988,571	0	0	138,882	9,127,454
Other Assets:							
Due from other funds	0	0	616,429	0	616,429	0	1,232,858
Total Other Assets	0	0	616,429	0	616,429	0	1,232,858
Total Assets	\$1,214,627	\$591,853	\$13,964,894	\$259,771	\$616,429	\$304,587	\$16,952,161
Liabilities & Net Assets							
Liabilities:							
Current Liabilities							
Accounts payable	\$15,759	\$11,322	\$423,214	\$3,288	\$0	\$34,308	\$487,891
Accrued liabilities	527,125	215,000	18,107	0	0	20,389	780,621
Accrued interest payable	0	0	38,003	0	0	0	38,003
Current due to other funds	0	0	0	0	0	26,607	26,607
Due within one year:							
Bonds, leases and loans payable	0	0	305,426	0	0	0	305,426
Current Portion Acc Comp Abs	0	0	4,992	0	0	3,799	8,791
Total Current Liabilities	542,884	226,322	789,742	3,288	0	85,103	1,647,339
Noncurrent Liabilities							
Due to other funds	0	0	0	0	616,429	0	616,429
Accrued compensated absences	0	0	94,856	0	0	72,177	167,033
Lease payable	0	0	2,691,165	0	0	0	2,691,165
Total Noncurrent Liabilities	0	0	2,786,021	0	616,429	72,177	3,474,627
Total Liabilities	542,884	226,322	3,575,763	3,288	616,429	157,280	5,121,966
Net Assets							
Invested in capital assets net of related debt	1	0	5,991,980	0	0	138,882	6,130,863
Unrestricted	671,742	365,531	4,397,151	256,483	0	8,425	5,699,332
Total Net Assets	671,743	365,531	10,389,131	256,483	0	147,307	11,830,195
Total Liabilities & Net Assets	\$1,214,627	\$591,853	\$13,964,894	\$259,771	\$616,429	\$304,587	\$16,952,161

PROVO CITY CORPORATION
Combining Statement of Revenues, Expenses and
Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2006

	Employee Benefits	Insurance/ Claims	Vehicle Management	Computer Lease	Capital Resource	Facility Services	Total Internal Service Funds
Operating Revenues:							
Charges for services	\$1,448,080	\$1,059,236	\$3,260,042	\$0	\$0	\$1,436,879	\$7,204,237
Lease income	0	0	0	0	0	1,161	1,161
Miscellaneous	179,352	3,376	0	332,790	0	832	516,350
Total operating revenues	1,627,432	1,062,612	3,260,042	332,790	0	1,438,872	7,721,748
Operating expenses:							
Salaries and wages	0	0	438,955	0	0	462,407	901,362
Employee benefits	0	0	191,632	0	0	207,257	398,889
Operating expenses	1,411,358	1,585,005	1,530,408	206,174	0	734,820	5,467,765
Depreciation	0	0	2,547,984	0	0	18,326	2,566,310
Total operating expenses	1,411,358	1,585,005	4,708,979	206,174	0	1,422,810	9,334,326
Operating income (loss)	216,074	(522,393)	(1,448,937)	126,616	0	16,062	(1,612,578)
Nonoperating revenues (expenses)							
Interest income	60,499	30,473	169,523	12,826	0	6,387	279,708
Interest on debt	0	0	(121,741)	0	0	0	(121,741)
Gain (loss) on disp. of assets	0	0	1,017,754	0	0	851	1,018,605
Total nonoperating revenues (expenses)	60,499	30,473	1,065,536	12,826	0	7,238	1,176,572
Income (loss) before operating transfers	276,573	(491,920)	(383,401)	139,442	0	23,300	(436,006)
Operating transfers							
Transfers from other funds	656,014	0	3,444,442	0	0	9,731	4,110,187
Transfers to other funds	(656,013)	0	(2,255,787)	0	0	(122,537)	(3,034,337)
Total operating transfers	1	0	1,188,655	0	0	(112,806)	1,075,850
Change in net assets	276,574	(491,920)	805,254	139,442	0	(89,506)	639,844
Net Assets beginning as originally stated	395,169	857,451	9,667,822	117,041	0	236,813	11,274,296
Prior period adjustments	0	0	(83,945)	0	0	0	(83,945)
Net Assets at the beginning year, as restated	395,169	857,451	9,583,877	117,041	0	236,813	11,190,351
Net Assets at end of year	\$671,743	\$365,531	\$10,389,131	\$256,483	\$0	\$147,307	\$11,830,195



This page is intentionally left blank.

PROVO CITY CORPORATION
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2006

	Employee Benefits	Insurance/Claims	Vehicle Management	Computer Replacement	Capital Resource	Facility Services	Totals Internal Service Funds
Cash flows from operating activities:							
Receipts from customers	\$1,628,842	\$1,062,612	\$3,261,498	\$332,790	\$0	\$1,439,250	\$7,724,992
Payments to suppliers	(1,407,679)	(511,476)	(1,667,271)	(202,886)	0	(698,325)	(4,487,637)
Payments to employees	95,782	0	(616,086)	0	0	(696,925)	(1,217,229)
Payments for claims	0	(1,358,628)	0	0	0	0	(1,358,628)
Net cash provided (used) by operating activities	<u>316,945</u>	<u>(807,492)</u>	<u>978,141</u>	<u>129,904</u>	<u>0</u>	<u>44,000</u>	<u>661,498</u>
Cash flows from noncapital financing activities:							
Transfers from other funds	656,014	0	3,444,442	0	0	9,731	4,110,187
Transfers to other funds	(656,013)	0	(2,255,787)	0	\$0	(122,537)	(3,034,337)
Net cash provided (used) by noncapital financing activities	<u>1</u>	<u>0</u>	<u>1,188,655</u>	<u>0</u>	<u>0</u>	<u>(112,806)</u>	<u>1,075,850</u>
Cash flows from capital and related financing activities:							
Payments for capital acquisitions	0	0	(5,514,903)	0	0	0	(5,514,903)
Proceeds from sale of fixed assets	0	0	1,686,205	0	0	851	1,687,056
Proceeds from issuance of lease payable	0	0	3,155,882	0	0	0	3,155,882
Loans due from other funds	(26,607)	0	(616,429)	0	(616,429)	51,000	(1,208,465)
Loans due to other funds	0	0	0	0	616,429	26,607	643,036
Principal payments on lease payable	0	0	(1,336,300)	0	0	0	(1,336,300)
Interest paid on lease payable	0	0	(121,211)	0	0	0	(121,211)
Net cash provided (used) by capital and related financing activities	<u>(26,607)</u>	<u>0</u>	<u>(2,746,756)</u>	<u>0</u>	<u>0</u>	<u>78,458</u>	<u>(2,694,905)</u>
Cash flows from investing activities:							
Receipts of interest	60,499	30,473	169,523	12,826	0	6,386	279,707
Net cash provided by investing activities	<u>60,499</u>	<u>30,473</u>	<u>169,523</u>	<u>12,826</u>	<u>0</u>	<u>6,386</u>	<u>279,707</u>
Net increase (decrease) in cash	350,838	(777,019)	(410,437)	142,730	0	16,038	(677,850)
Cash at beginning of year	837,181	1,368,872	4,667,989	117,041	0	139,103	7,130,186
Cash at end of year	<u>\$1,188,019</u>	<u>\$591,853</u>	<u>\$4,257,552</u>	<u>\$259,771</u>	<u>\$0</u>	<u>\$155,141</u>	<u>\$6,452,336</u>

Note: This statement is continued on the following page.

PROVO CITY CORPORATION
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2006

	Employee Benefits	Insurance/ Claims	Vehicle Management	Computer Replacement	Capital Resource	Facility Services	Totals Internal Service Funds
	\$216,074	(\$522,393)	(\$1,448,937)	\$126,616	\$0	\$16,062	(\$1,612,578)
	0	0	2,547,984	0	0	18,326	2,566,310
	1,410	0	1,456	0	0	378	3,244
	0	0	26,838	0	0	8,179	35,017
	3,679	(15,099)	(163,701)	3,288	0	28,316	(143,517)
	95,782	(270,000)	2,052	0	0	(26,491)	(198,657)
	0	0	12,449	0	0	(770)	11,679
	<u>\$316,945</u>	<u>(\$807,492)</u>	<u>\$978,141</u>	<u>\$129,904</u>	<u>\$0</u>	<u>\$44,000</u>	<u>\$661,498</u>
	\$0	\$0	\$660,830	\$0	\$0	\$0	\$660,830

Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used In) Operating Activities:

Cash flows from operating activities:
Operating income (loss)
Adjustments to reconcile operating income to net
cash provided (used) by operating activities:
Depreciation
Changes in assets and liabilities:
Decrease (increase) in accounts receivable
Decrease (increase) in inventory
Increase (decrease) in accounts payable
Increase (decrease) in accrued liabilities
Increase (decrease) in accrued compensated absences
Net cash provided (used) by operating activities

Noncash investing, capital, and financing activities:
Capital asset trade-ins

PROVO CITY CORPORATION
Impact Fee Schedule
For the year ending June 30, 2006

	Water	Wastewater	Energy	Storm Drain	Engineering	Parks & Recreation
FY-04						
Beginning	\$ 0	\$ 0	\$ 197,123	\$ 160,186	\$ 0	\$ 0
Fees collected	372,118	193,444	386,886	193,778	0	0
Expenditures	(1,016,739)	0	(602,291)	(635,000)	0	0
Interest	0	0	7,885	6,407	0	0
Ending balance	0	193,444	0	0	0	0
FY-05						
Beginning	0	193,444	0	0	0	0
Fees collected	433,795	270,922	439,673	226,334	65,252	48,636
Expenditures	(279,754)	(169,439)	(5,386)	(579,996)	0	0
Interest	0	4,647	0	0	0	0
Ending balance	154,041	299,574	434,287	0	65,252	48,636
FY-06						
Beginning	154,041	299,574	434,287	0	65,252	48,636
Fees collected	457,998	356,826	469,320	279,408	156,569	580,264
Expenditures	(427,982)	0	(167,032)	(76,534)	0	(25,677)
Interest	6,377	12,402	17,979	0	2,701	2,014
Ending balance	\$ 190,434	\$ 668,802	\$ 754,554	\$ 202,874	\$ 224,522	\$ 605,237

Projected schedule of expenditures is not available at this time.

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall health.

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

133

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

138

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

143

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

148

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

151



This page is intentionally left blank.

PROVO CITY CORPORATION
NET ASSETS BY COMPONENT
 (accrual basis of accounting)
 (amounts expressed in thousands)

	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 202,357	\$ 227,517	\$ 231,645	\$ 213,424	\$ 231,768
Restricted	11,297	5,426	7,542	6,048	7,848
Unrestricted	30,016	37,093	38,003	42,554	53,552
Total governmental activities net assets	<u>243,670</u>	<u>270,036</u>	<u>277,190</u>	<u>262,026</u>	<u>293,168</u>
Business type activities					
Invested in capital assets, net of related debt	78,222	77,735	45,475	131,251	137,068
Restricted	4,261	7,232	45,851	28,217	13,394
Unrestricted	26,332	26,383	28,702	22,130	26,918
Total business-type activities net assets	<u>108,815</u>	<u>111,350</u>	<u>120,028</u>	<u>181,598</u>	<u>177,380</u>
Primary government					
Invested in capital assets, net of related debt	280,579	305,252	277,120	344,675	368,836
Restricted	15,558	12,658	53,393	34,265	21,242
Unrestricted	56,348	63,476	66,705	64,684	80,470
Total primary government net assets	<u>\$ 352,485</u>	<u>\$ 381,386</u>	<u>\$ 397,218</u>	<u>\$ 443,624</u>	<u>\$ 470,548</u>

PROVO CITY CORPORATION
CHANGES IN NET ASSETS
N/A
(ACCRUAL BASIS OF ACCOUNTING)

<u>Expenses</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities:					
General government	\$ 13,723,762	\$ 11,360,878	\$ 12,526,482	\$ 12,812,803	\$ 12,864,069
Public safety	19,689,529	18,645,840	19,011,921	19,656,764	20,805,782
Public services	5,317,910	5,892,327	6,212,405	6,500,531	6,236,947
Community revitalization	2,922,850	3,471,501	6,789,713	5,088,706	3,428,129
Culture and Recreation	9,154,526	9,215,610	9,629,789	9,495,980	9,954,557
Interest on long-term debt	0	2,104,405	1,372,009	1,504,963	1,437,818
Total governmental activities expenses:	<u>50,808,577</u>	<u>50,690,561</u>	<u>55,542,319</u>	<u>55,059,747</u>	<u>54,727,302</u>
Business-type activities:					
Golf course	N/A	N/A	162,663	1,085,625	1,160,726
Water	5,089,810	5,423,333	5,698,260	5,589,083	5,591,839
Sewer	3,920,351	3,894,473	4,006,742	4,217,370	4,085,814
Energy	39,065,158	40,200,206	40,488,555	41,452,688	43,113,489
Airport	923,531	989,242	977,367	1,010,936	1,133,052
Sanitation	2,347,767	2,440,718	2,708,006	2,655,833	2,601,563
Storm drain	1,487,671	1,522,921	1,237,995	1,442,114	1,545,929
Telecommunications	1,107,221	1,630,250	2,533,487	3,310,102	3,544,857
Total business-type activities expenses	<u>53,941,509</u>	<u>56,101,143</u>	<u>57,813,075</u>	<u>60,763,751</u>	<u>62,777,269</u>
Total primary government expenses	<u>\$ 104,750,086</u>	<u>\$ 106,791,704</u>	<u>\$ 113,355,394</u>	<u>\$ 115,823,498</u>	<u>\$ 117,504,571</u>

Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 2,347,123	\$ 2,397,149	\$ 1,986,010	\$ 2,456,372	\$ 2,604,356
Public safety	2,514,425	2,452,528	2,262,018	2,433,901	2,525,574
Public services	0	0	0	75	75
Community revitalization	376,054	430,091	422,918	439,530	448,161
Culture and Recreation	1,152,120	1,154,727	1,278,720	1,377,716	1,495,096
Operating grants and contributions	8,768,402	9,983,849	10,020,868	9,465,500	8,649,734
Capital grants and contributions	117,422	0	0	4,340,299	5,724,746
Total governmental activities program revenues	<u>15,275,546</u>	<u>16,418,344</u>	<u>15,970,534</u>	<u>20,513,393</u>	<u>21,447,742</u>
Business-type activities:					
Charges for services:					
Golf Course	N/A	N/A	91,162	755,211	693,322
Water	5,588,630	5,113,369	5,375,055	5,241,448	6,065,470
Sewer	4,819,759	4,743,458	4,629,611	4,686,423	4,666,340
Energy	44,466,800	43,987,433	45,383,597	44,661,470	46,570,363

Airport	133,329	130,984	135,838	152,908	159,532
Sanitation	2,438,878	2,438,291	2,692,078	2,889,022	3,008,500
Storm drain	1,629,481	1,618,819	1,657,891	1,667,645	1,703,885
Telecommunications	560,997	79,250	111,509	770,780	1,468,940
Operating grants and contributions	0	85,107	30,286	1,987,134	2,541,995
Capital grants and contributions	1,057,224	686,746	1,275,584	0	1,635,990
Total business-type activities program revenue	60,695,098	58,883,457	61,382,611	62,812,041	68,514,337
Total primary government program revenues	\$ 75,970,644	\$ 75,301,801	\$ 77,353,145	\$ 83,325,434	\$ 89,962,079

Net (expense)/revenue					
Governmental activities	\$ (35,533,031)	\$ (34,272,217)	\$ (39,571,785)	\$ (34,546,354)	\$ (33,279,560)
Business-type activities	6,753,589	2,782,314	3,569,536	2,048,290	5,737,068
Total primary government net expense	\$ (28,779,442)	\$ (31,489,903)	\$ (36,002,249)	\$ (32,498,064)	\$ (27,542,492)

General Revenues and Other Changes In

Net Assets

Governmental revenues:

Taxes

Property taxes	\$ 11,250,399	\$ 10,831,830	\$ 10,796,536	\$ 11,227,354	\$ 11,391,076
Vehicle	1,628,713	980,092	1,224,569	1,140,808	1,192,626
Sales taxes	14,366,843	12,596,704	12,841,581	13,635,311	15,592,149
Franchise taxes	6,007,633	5,545,756	5,931,067	5,332,673	7,703,272
Investment earnings	1,120,925	743,468	989,660	48,636	736,833
Gain on sale of capital assets	212,948	(30,199)	(652,012)	1,601,349	2,410,980
Miscellaneous	5,285,769	4,183,487	9,957,282	7,177,479	6,011,346
Transfers	7,038,456	6,230,803	6,250,385	(20,909,557)	6,464,719
Total governmental activities	46,911,686	41,081,941	47,339,068	19,254,053	51,503,001

Business Activities

Impact fees	1,551,586	1,759,416	1,146,227	1,370,724	1,563,553
Investment earnings	1,064,138	693,053	1,054,395	1,765,451	1,921,986
Gain on sale of capital assets	0	0	5,802,561	0	0
Miscellaneous	3,180,371	3,473,514	3,342,475	2,937,076	3,495,879
Transfers	(7,038,456)	(6,230,803)	(6,250,385)	20,909,557	(6,464,719)
Total business-type activities	(1,242,361)	(304,820)	5,095,273	26,982,808	516,699
Total primary government	45,669,325	40,777,121	52,434,341	46,236,861	52,019,700

Change in Net Assets

Governmental activities	11,378,655	6,809,724	7,767,283	(15,292,301)	18,223,441
Business-type activities	5,511,228	2,477,494	8,664,809	29,031,098	6,253,767
Total primary government	\$ 16,889,883	\$ 9,287,218	\$ 16,432,092	\$ 13,738,797	\$ 24,477,208

PROVO CITY CORPORATION
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General fund										
Reserved	\$ 400	\$ 2,019	\$ 2,940	\$ 4,085	\$ 6,218	\$ 5,753	\$ 5,211	\$ 3,666	\$ 5,075	\$ 3,795
Unreserved	3,494	3,751	5,403	3,782	4,670	4,993	4,069	3,658	6,172	9,429
Total general fund	<u>\$ 3,894</u>	<u>\$ 5,770</u>	<u>\$ 8,343</u>	<u>\$ 7,867</u>	<u>\$ 10,888</u>	<u>\$ 10,746</u>	<u>\$ 9,280</u>	<u>\$ 7,324</u>	<u>\$ 11,248</u>	<u>\$ 13,224</u>
All other governmental funds										
Reserved	\$ 3,684	\$ 4,437	\$ 2,534	\$ 2,660	\$ 8,844	\$ 5,134	\$ 2,063	\$ 5,618	\$ 160	\$ 6,714
Unreserved, reported in:										
Special revenue funds	1,292	2,582	3,479	6,787	8,158	11,393	8,753	8,133	12,417	9,173
Capital projects funds	15,652	12,171	9,528	17,529	0	0	1,379	5,757	6,255	10,505
Debt service funds	0	0	17	(1)	0	0	546	1,186	1,059	1,198
Total all other governmental funds	<u>\$ 20,628</u>	<u>\$ 19,190</u>	<u>\$ 15,558</u>	<u>\$ 26,975</u>	<u>\$ 17,002</u>	<u>\$ 16,527</u>	<u>\$ 12,741</u>	<u>\$ 20,694</u>	<u>\$ 19,892</u>	<u>\$ 27,591</u>

PROVO CITY CORPORATION
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Taxes	\$ 21,953	\$ 22,799	\$ 24,859	\$ 28,736	\$ 30,643	\$ 33,016	\$ 30,192	\$ 30,794	\$ 32,981	\$ 35,879
Licenses and permits	1,089	1,199	1,160	927	1,095	1,031	1,180	1,011	1,434	1,484
Intergovernmental	5,595	6,782	7,237	7,618	8,359	8,847	9,977	10,021	9,750	8,707
Charges for services	2,596	2,735	2,425	2,568	2,274	3,063	3,230	3,407	3,390	4,257
Fine and forfeitures	756	735	777	705	806	999	1,112	889	1,028	1,056
Impact fees										737
Interest income	1,228	1,346	1,247	2,202	2,058	871	607	456	773	1,523
Loan principal repayments	664	740	1,581	1,033	680	731	1,024	1,406	805	1,339
Loan interest repayments	115	102	128	139	102	81	74	62	60	57
Lease income	130	30	342	906	913	4,031	722	728	720	727
Miscellaneous	2,328	1,262	3,758	5,951	3,688	5,429	3,549	8,242	6,179	6,440
Total revenues	36,454	37,730	43,514	50,785	50,618	58,100	51,667	57,016	57,120	62,207
Expenditures:										
Current:										
General government	7,410	7,966	8,189	9,224	9,676	10,426	9,905	10,426	10,718	10,957
Public safety	13,779	15,023	15,697	17,043	17,281	18,319	18,167	18,319	18,752	20,136
Public services	2,233	2,210	2,352	2,476	2,580	2,733	2,732	2,733	2,671	2,750
Culture and recreation	5,480	5,749	6,214	6,642	6,953	8,807	8,488	8,807	8,909	9,988
Community revitalization	3,847	4,612	4,230	4,348	4,490	7,272	8,104	9,818	6,381	7,932
Total current expenditures	32,749	35,560	36,682	39,733	40,980	47,558	47,397	50,104	47,431	51,764
Debt service:										
Interest expense	1,381	974	1,295	1,395	2,655	1,960	1,662	1,428	1,543	1,311
Rent/Lease	0	0	0	0	0	130	0	99	93	211
Principal on debt	10,598	944	2,171	3,498	4,177	7,874	3,389	3,264	4,261	6,583
Service fees on debt	10	12	20	186	18	14	33	102	9	8
Reduction in financial resources due to sale of land	1,160	0	0	0	0	0	0	0	0	0
Arbitrage rebate	0	0	0	82	23	0	0	0	0	0
Total debt service	13,149	1,930	3,486	5,161	6,873	9,979	5,083	4,893	5,906	8,113
Capital outlay:										
Capital outlay	10,278	5,682	13,066	19,261	18,169	8,014	6,350	6,135	9,313	9,023
Total expenditures	56,176	43,172	53,234	64,155	66,022	65,550	58,830	61,131	62,650	68,901
Excess (deficiency) of revenues over (under) expenditures	(19,722)	(5,442)	(9,720)	(13,370)	(15,404)	(7,450)	(7,163)	(4,115)	(5,530)	(6,694)
Other financing sources (uses):										
Transfers from other funds	12,015	7,161	7,853	10,936	9,487	11,860	11,640	9,197	14,645	11,277
Transfers to other funds	(7,934)	(2,845)	(2,517)	(5,013)	(1,817)	(5,341)	(5,243)	(3,575)	(8,230)	(5,832)
Note proceeds	0	0	0	0	0	0	0	0	1,208	0
Proceeds of refunding bonds	6,000	0	0	0	0	0	0	0	0	11,240
Sale of assets	477	955	3,389	18,436	451	0	5	0	0	22
Total other financing sources (uses)	10,558	5,271	8,725	24,359	8,121	6,519	6,401	5,621	7,623	16,708
Net change in fund balances	(9,164)	(171)	(995)	10,989	(7,283)	(931)	(762)	1,506	2,093	10,014
Fund balance										
Fund balance at beginning of year	34,829	25,665	25,494	24,499	35,488	28,205	27,274	26,512	28,018	31,140
Prior period adjustment	0	0	0	0	0	0	0	0	1,029	(338)
Fund balance at end of year	\$ 25,665	\$ 25,494	\$ 24,499	\$ 35,488	\$ 28,205	\$ 27,274	\$ 26,512	\$ 28,018	\$ 31,140	\$ 40,816
Debt service to noncapital expenses ratio	40.15%	5.43%	9.50%	12.99%	16.77%	20.98%	10.73%	9.76%	12.45%	15.67%

PROVO CITY CORPORATION
GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE (1)
Last Ten Fiscal Years
(amounts expressed in thousands)
(Unaudited)

FISCAL YEAR	GENERAL PROPERTY TAX (2)	SALES TAX	LODGING TAX	FRANCHISE TAX	TOTAL TAX REVENUE
1997	\$ 6,408	\$ 10,735	\$ 278	\$ 4,531	21,952
1998	6,815	10,747	284	4,955	22,801
1999	7,297	12,104	326	5,132	24,859
2000	9,744	13,326	282	5,385	28,737
2001	10,433	13,449	269	6,492	30,643
2002	12,641	14,054	313	6,008	33,016
2003	12,049	12,356	241	5,546	30,192
2004	12,021	12,601	240	5,932	30,794
2005	12,368	13,365	270	6,978	32,981
2006	12,584	15,310	282	7,703	35,879

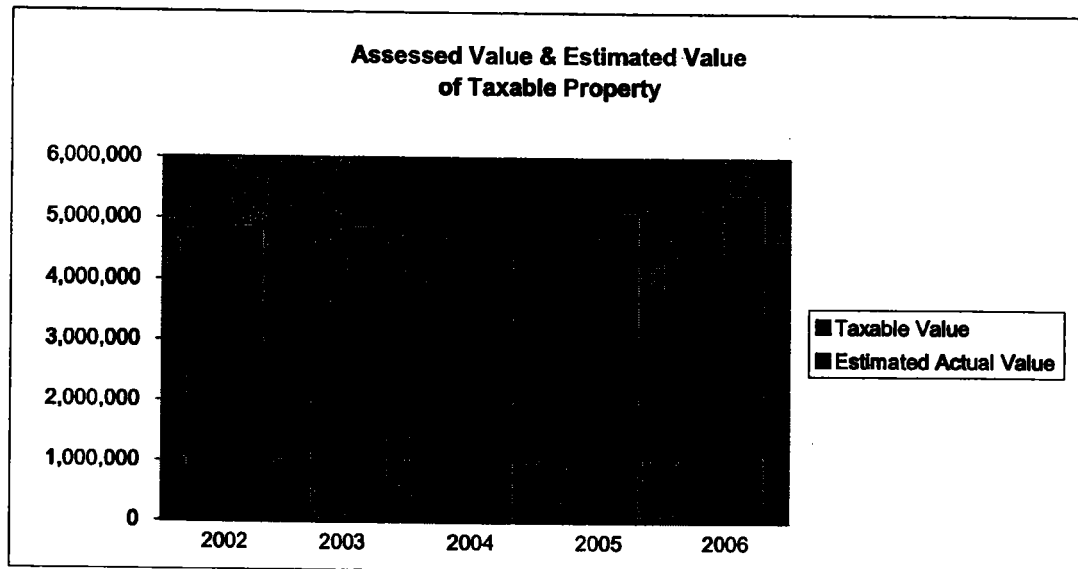
(1) Includes the General, Debt Service, and Special Revenue Funds.

(2) Includes payments in lieu of taxes.

PROVO CITY CORPORATION
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)
(Unaudited)

Fiscal Year	TAXABLE VALUE (1)			Estimated Actual Value	Ratio of Total Taxable Value To Total Estimated Actual Value
	Real Property	Personal Property	Taxable Value		
1997	\$ 2,140,357	\$ 221,801	\$ 2,362,158	\$ 3,675,366	64.27%
1998	2,167,707	229,711	2,397,418	3,816,281	62.82%
1999	2,395,566	256,667	2,652,233	3,858,510	68.74%
2000	2,800,799	266,075	3,066,874	4,144,332	74.00%
2001	2,992,482	306,306	3,298,788	4,485,882	73.54%
2002	3,378,678	365,598	3,744,276	4,833,133	77.47%
2003	3,266,284	325,990	3,592,274	4,827,259	74.42%
2004	3,328,948	289,494	3,618,442	5,012,862	72.18%
2005	3,347,750	262,725	3,610,475	5,074,870	71.14%
2006	3,508,880	282,472	3,791,352	5,363,238	70.69%

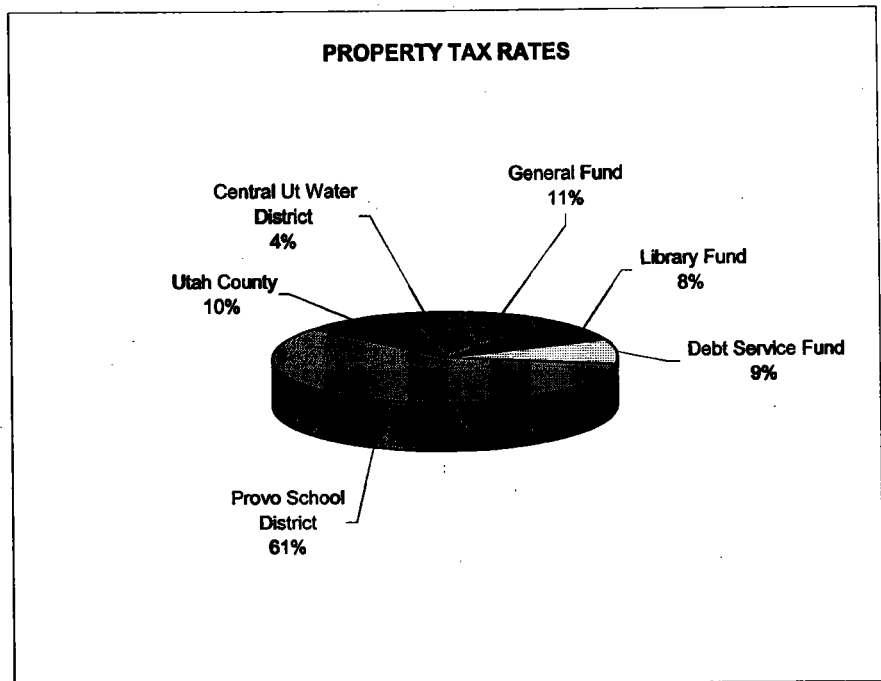
(1) Source: Utah County Auditor



PROVO CITY CORPORATION
STATE OF UTAH
PROPERTY TAX RATES—DIRECT AND OVERLAPPING GOVERNMENTS
BASED ON \$1,000 ASSESSED VALUATION
Last Ten Fiscal Years
(Unaudited)

Calendar Year	City of Provo			Total	Other Taxing Entities (1)			Total Tax Rate
	General Fund	Library Fund	Debt Service Fund		Provo School District	Utah County	Central UT Water District	
1997	0.001287	0.000529	0.000512	0.002328	0.006304	0.002099	0.000400	0.011131
1998	0.001361	0.000517	0.000514	0.002392	0.006314	0.001268	0.000397	0.010371
1999	0.001346	0.000996	0.000494	0.002836	0.006388	0.001197	0.000396	0.010817
2000	0.001219	0.000902	0.000553	0.002674	0.005981	0.001116	0.000377	0.010148
2001	0.001148	0.000849	0.001001	0.002998	0.005657	0.001038	0.000369	0.010062
2002	0.001078	0.000798	0.000911	0.002787	0.006037	0.001034	0.000358	0.010216
2003	0.001077	0.000797	0.000902	0.002776	0.006071	0.001053	0.000358	0.010258
2004	0.001125	0.000832	0.000916	0.002873	0.006234	0.001065	0.000353	0.010525
2005	0.001131	0.000836	0.000924	0.002891	0.006124	0.001040	0.000400	0.010455
2006	0.001068	0.000789	0.000865	0.002722	0.006147	0.000960	0.000357	0.010186

(1) SOURCE: Utah County Auditor



**PROVO CITY CORPORATION
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2006
(amounts expressed thousands)**

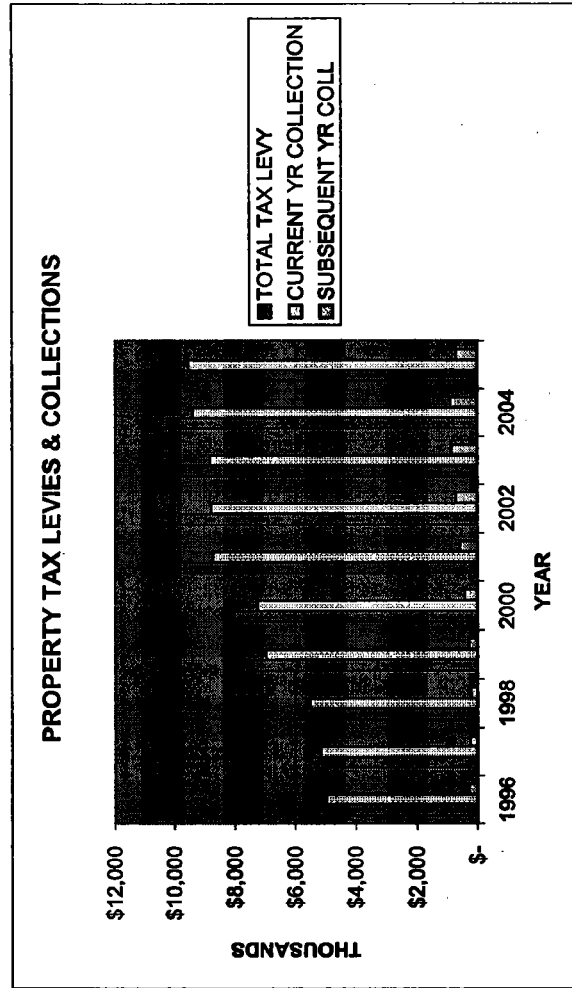
<u>Taxpayer</u>	<u>2006</u>			<u>1997</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>1996 Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Novell	67,000	1	1.91%	19,567	1	1.21%
Provo Mall Development Company	36,873	2	1.05%			
Qwest Corp	32,615	3	0.93%			
Central Utah Investment Company	26,766	4	0.76%			
Scrub Oak Ltd	18,408	5	0.52%	13,516	3	0.84%
Tropical Development LLC	15,500	6	0.44%			
Terramet Investments L.C.	14,377	7	0.41%			
Qwestar Gas	14,295	8	0.41%			
Epirotech	10,811	9	0.31%			
IHC Hospitals Inc.	10,058	10	0.29%	6,539	11	0.41%
Medical Center Company LC	9,956	11	0.28%	2,750	46	0.17%
PDC Community Centers L.L.C.	9,900	12	0.28%			
Parkway Village Properties LLC	9,745	13	0.28%			
Dillard USA Inc.	9,600	14	0.27%			
East Bay Development Co. Inc.	9,442	15	0.27%			
Peak Provo	9,214	16	0.26%			
Aspen Investments LTD.	8,819	17	0.25%	5,381	16	0.33%
Sunstone OP Properties L.L.C.	8,670	18	0.25%	2,675	49	0.17%
Johnson Land Enterprises L.L.C.	7,655	19	0.22%	7,345	8	0.46%
Parkway Village Properties LLC	7,625	20	0.22%			
Webber Family Partnership The				5,406	15	0.34%
Brandbury Park Inc.				14,377	2	0.89%
Raintree Park Limited				9,737	5	0.60%
The Group Equity				9,025	6	0.56%
Glenwood Riviera Partnership				8,582	7	0.53%
Glenwood Cambridge Limited Partnership				7,104	9	0.44%
Dynix Corporation				6,839	10	0.42%
Park Hotels L.C.				6,149	12	0.38%
Boettcher Pension Investors				5,793	13	0.36%
Parkway Lodging Associates L.C.				5,640	14	0.35%
Western States Financial Resources				10,594	4	0.66%
Totals						
Total assessed value for Provo	3,507,261	100%				
includes real proper only						
does not include any government, utilities, or phone company property						

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years
(amounts expressed in thousands)
(unaudited)

Calendar Year Ended December 31	Total Tax Levy for Calendar Year		Collected within the Calendar Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
	Amount \$	Percentage of Levy	Amount \$	Percentage of Levy	Amount \$	Percentage of Levy	Amount \$	Percentage of Levy
1996	5,280	94.58%	4,994	94.58%	289	5.42%	5,283	100.06%
1997	5,532	93.47%	5,171	93.47%	248	4.49%	5,419	97.96%
1998	5,887	93.99%	5,533	93.99%	215	3.65%	5,748	97.64%
1999	7,462	93.33%	6,964	93.33%	297	3.98%	7,261	97.31%
2000	8,019	90.62%	7,267	90.62%	427	5.33%	7,694	95.95%
2001	9,683	90.09%	8,723	90.09%	589	6.07%	9,312	96.17%
2002	9,823	89.60%	8,801	89.60%	715	7.24%	9,516	96.87%
2003	9,723	90.87%	8,835	90.87%	863	8.83%	9,698	99.74%
2004	10,245	91.71%	9,396	91.71%	897	8.76%	10,293	100.47%
2005	10,288	92.91%	9,559	92.91%	709	6.89%	10,268	99.81%

Source: Utah Co. Auditor



Provo City Corporation
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income *	Per Capital *
	General		Special		Capital Leases	Revenue Bonds	Notes Payable	Capital Leases					
	Obligation Bonds	Revenue Bonds	Obligation Bonds	Notes Payable									
1997	\$ 10,445	\$ 6,000	\$ 625	\$ 0	\$ 1,555	\$ 54,148	\$ 2,217	\$ 0	0	\$ 74,990	N/A	\$ 75	
1998	9,820	9,090	525	0	1,335	52,622	2,151	0	0	75,543	N/A	\$ 714.54	
1999	9,155	14,475	465	0	1,687	58,315	1,988	0	0	86,085	N/A	\$ 781.73	
2000	25,235	12,160	400	0	2,924	55,981	1,937	259	2,037	98,896	N/A	\$ 87.58	
2001	24,005	9,825	330	3,698	2,382	53,392	1,883	0	0	97,552	N/A	\$ 87.20	
2002	22,220	4,380	255	1,842	3,629	53,040	1,825	0	0	87,191	N/A	\$ 779.42	
2003	20,325	4,005	175	1,401	2,982	51,299	0	0	0	80,187	0.03%	\$ 727.27	
2004	18,490	3,605	0	4,202	2,107	80,154	0	0	0	108,558	0.02%	\$ 954.16	
2005	16,545	3,180	0	6,283	1,325	77,371	0	99	0	104,803	0.02%	\$ 940.87	
2006	20,355	4,830	0	6,578	2,997	74,474	0	49	0	109,283	0.02%	\$ 924.69	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

* Population data and personal income can be found in the Schedule of Demographic and Economic Statistics.

Provo City Corporation
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value* of Property	Per Capita**
1997	\$ 10,445	\$ 1,049	\$ 9,396	0.26%	94
1998	9,820	1,531	8,289	0.22%	78
1999	9,155	1,456	7,699	0.20%	70
2000	25,235	2,221	23,014	0.56%	204
2001	24,005	1,107	22,898	0.51%	205
2002	22,220	285	21,935	0.45%	196
2003	20,325	146	20,179	0.42%	183
2004	18,490	781	17,709	0.35%	156
2005	16,545	644	15,901	0.31%	138
2006	20,355	764	19,591	0.37%	166

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

* See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

** Population data can be found in the Schedule of Demographic and Economic Statistics.

PROVO CITY CORPATION
Direct and Overlapping Governmental Activities Debt
As of June 30,2006
(amounts expressed in thousands)

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Provo City School District	\$ 31,035	100%	\$ 31,035
Utah County	17,440	100%	17,440
Subtotal overlapping debt			<u>48,475</u>
Direct Debt:			
Provo City			<u>20,355</u>
Total direct and overlapping debt			<u><u>\$ 68,830</u></u>

PROVO CITY CORPORATION
Legal Debt Margin Information
Last Ten Years
(amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 147,015	\$ 152,651	\$ 154,340	\$ 165,773	\$ 179,435	\$ 193,325	\$ 193,090	\$ 200,514	\$ 202,995	\$ 214,530
Total net debt applicable to limit	10,490	9,820	9,155	25,235	24,005	22,220	20,325	18,490	16,545	20,355
Legal debt margin	136,525	142,831	145,185	140,538	155,430	171,105	172,765	182,024	186,450	194,175
Total net debt applicable to the limit as a percentage of debt limit	7.14%	6.43%	5.93%	15.22%	13.38%	11.49%	10.53%	9.22%	8.15%	9.49%

Legal Debt Margin Calculation for Fiscal Year 2006

Estimated Market Value	\$ 5,363,238
Debt limit—4 percent of market value	214,530
Debt applicable to limit:	20,355
Total bonded debt (including special assessment bonds, if any)	
Legal debt margin	\$ 194,175

Provo City Corporation
Pledged -Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Sales Tax Revenue Bonds				Building Authority Lease Revenue Bonds				Water Revenue Bonds			
	Sales Tax Revenue	Debt Service		Coverage	Lease Revenue	Debt Service		Coverage	Charges and Other	Less:		Net
		Principal	Interest			Principal	Interest			Operating Expenses	Available Revenue	
1997	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1998	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1999	N/A	N/A	N/A	N/A	\$ 280,000	\$ 0	\$ 374,513	0.75	N/A	N/A	N/A	N/A
2000	N/A	N/A	N/A	N/A	843,000	315,000	519,705	1.01	N/A	N/A	N/A	N/A
2001	N/A	N/A	N/A	N/A	852,000	335,000	557,655	0.95	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	3,969,581	3,445,000	534,205	1.00	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A	659,119	375,000	285,560	1.00	\$5,223,354	\$ 5,295,710	\$ (72,356)	\$ 116,887
2004	N/A	N/A	N/A	N/A	664,206	400,000	261,185	1.00	5,487,195	5,591,814	(104,619)	37,112
2005	\$ 13,365,745	\$ 0	\$ 1,870,715	7.14	655,357	425,000	235,985	0.99	5,393,772	5,487,653	(93,881)	59,199
2006	15,310,399	0	1,929,677	7.93	660,423	450,000	208,998	1.00	6,220,170	5,518,936	701,234	55,785

Fiscal Year	Energy Revenue Bonds				Storm Drain Revenue Bonds			
	Charges and Other	Less:		Net	Charges and Other	Less:		Net
		Operating Expenses	Debt Service Principal			Operating Expenses	Debt Service Principal	
1997	\$ 39,716,000	\$31,025,000	\$ 1,325,000	\$ 8,691,000	\$ 1,426,000	\$ 1,116,000	\$ 95,000	\$ 473,877
1998	45,488,000	35,414,000	1,400,000	10,074,000	1,830,000	914,000	225,000	402,285
1999	50,266,000	34,514,000	2,055,000	15,752,000	1,657,943	1,073,795	290,000	393,060
2000	50,686,000	36,711,000	2,180,000	13,975,000	2,143,888	1,124,801	315,000	381,170
2001	52,326,000	38,077,000	2,305,000	14,249,000	1,664,247	1,160,220	345,000	368,570
2002	46,696,799	36,250,317	2,610,000	10,446,482	1,674,827	1,328,917	360,000	354,770
2003	46,462,090	37,409,520	2,700,000	9,052,570	1,722,354	1,470,307	380,000	340,370
2004	47,543,322	38,479,849	2,945,000	9,063,473				
2005	47,211,673	39,464,912	2,270,000	7,746,761				
2006	49,237,877	41,322,254	2,360,000	7,915,623				

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

PROVO CITY CORPORATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST 10 FISCAL YEARS

FISCAL YEAR	PROVO POPULATION	Provo-Orem PERSONAL INCOME (millions)	Provo-Orem CAPITAL PERSONAL INCOME	MEDIAN AGE	% (AGE 25+) WITH COLLEGE DEGREE	SCHOOL ENROLLMENT	UTAH UNEMPLOYMENT RATE	REGISTERED VOTERS	NUMBER PUBLIC SCHOOLS
1997	99,606	N/A	N/A	22.8	N/A	N/A	3.2	61,190	25
1998	105,722	N/A	N/A	22.8	N/A	N/A	3.7	61,190	25
1999	110,121	N/A	N/A	22.8	N/A	N/A	3.6	38,118	25
2000	112,909	6,495	N/A	22.7	N/A	N/A	3.4	35,800	25
2001	111,866	7,434	N/A	22.9	N/A	N/A	4.4	40,763	25
2002	111,866	7,838	20,048	22.9	N/A	13,046	5.7	39,362	25
2003	110,258	8,045	20,101	22.9	N/A	13,037	5.7	31,345	25
2004	113,773	8,420	19,528	22.9	N/A	12,984	5.2	42,631	25
2005	115,389	9,049	20,421	22.9	N/A	13,039	4.5	42,438	24
2006	118,184	9,748	21,527	23.5	46.2	N/A	3.2	53,001	23

DATA SOURCES

Provo School District
Bureau of Economic Analysis:
Economic Development Corporation of Utah
2005 U.S. Census Update
Utah Dept. Workforce Services
Based on 1.92% yearly population increase and 2005 Revised Census Data

PROVO CITY CORPORATION

PRINCIPAL EMPLOYERS

June 30, 2006

(Unaudited)

	<u>2006</u>		<u>1997</u>	
EMPLOYER	<u>Full Time Employees</u>	<u>Rank</u>	<u>Employees</u>	<u>Rank</u>
Brigham Young University	5,000	1	14,870 *	1
Utah Valley Regional Medical Center	2,104 *	2	2,822	3
Novell	1,890	3	3,000	2
Provo School District	1,400	4	1,610	4
Nu Skin / Big Planet	1,300	5	1,200	5
Utah County	900	6	736	8
Utah State Hospital	825	7	700	7
MyFamily.Com	738	8		
Tahitian Noni International, Inc.	625	9		
Provo City	603	10	759	6
Natures Sunshine Products	587	11	500	12
Central Utah Clinic P.C.	525	12	625	9
Heritage Schools Inc.	300	13	575	10
Pacific States Cast Iron Pipe Co.	300	14	550	11

*includes students

source: EDCUTAH 2005-2006 Major Employer's Guide

source: UVRMC * full time equivalent employees

PROVO CITY CORPORATION
Full Time City Government Employees by Function Equivalents
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30, 2006									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Government	105	107	109	102	105	106	106	98	99	96
Public Safety										
Fire	80	80	80	83	85	85	85	84	81	81
Police	170	168	172	175	181	180	175	161	156	153
Emergency Response	5	5	5	5	5	5	5	5	5	3
Public Services										
Street Maintenance	18	18	18	18	19	19	18	18	19	19
Engineering	14	14	15	16	16	16	16	16	16	15
Culture and Recreation	156	163	157	159	156	142	136	134	130	118
Water	33	33	33	33	33	33	33	33	33	31
Wastewater	28	28	28	28	28	28	28	28	28	28
Energy	101	102	97	101	97	97	97	96	97	99
Telecom	25	22	9	9	5	0	0	0	0	0
Airport	2	2	2	2	2	2	2	2	2	2
Sanitation	14	14	18	17	16	16	16	16	16	15
Golf Course	8	0	0	0	0	0	0	0	0	0
Employee Benefits	0	0	0	0	1	0	0	0	0	0
Vehicle Maintenance	11	11	11	11	10	10	10	10	10	10
Facilities	12	12	12	12	13	13	13	13	13	12
	782	779	766	771	772	752	740	714	705	682

**PROVO CITY CORPORATION
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Function										
Police (Calendar Year)										
Adult Arrest	N/A	N/A	N/A	1,067	1,106	1,453	2,991	2,249	2,222	N/A
Juvenile Arrests	N/A	N/A	N/A	595	519	551	402	370	732	N/A
Parking violations	N/A	N/A	N/A	6,187	18,790	19,266	14,792	16,521	19,654	N/A
Traffic violations	N/A	N/A	N/A	17,031	17,195	35,743	41,287	24,884	22,502	N/A
DUI violations	N/A	N/A	N/A	295	296	352	299	283	334	N/A
Fire (Calendar Year)										
Number of ambulance calls	N/A	N/A	N/A	4,052	4,199	4,186	N/A	4,027	4,538	N/A
Number of FIRE/BMS combined	N/A	N/A	N/A	7,761	8,050	8,450	N/A	8,497	9,956	N/A
Inspections	N/A	N/A	N/A	N/A	N/A	N/A	290	1,102	1,152	N/A
Highways and streets										
General Road Repair (tons of asphalt used)	4,524	4,991	3,000	3,000	3,000	2,500	800	6,580	3,062	14,269*
Potholes repaired (tons of asphalt used)	150	150	130	130	130	130	100	100	75	58
Sidewalks replaced (linear feet)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,800	13,474*
Sanitation										
Refuse collected (tons/yr)	20,975	21,340	22,000	22,000	23,000	22,800	23,700	23,700	22,200	21,987
Recyclables collected (tons/yr)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	60	768
Culture and recreation										
Youth recreation program participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	31,464
Adult recreation program participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	92,166
Aquatics program participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	107,991
Senior citizen program participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	54,650
Community special events participants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	73,450
Energy										
Energy Requirements (kwh)	635,456,751	651,200,472	703,437,872	685,561,044	716,742,267	712,460,048	708,511,567	728,206,077	721,578,061	776,406,000
Water										
Number of Consumers (connections)	15,829	16,115	16,410	16,692	16,821	17,048	17,372	17,645	17,771	18,082
Water mains breaks	12	20	15	7	0	0	3	4	5	11
Average Daily Consumption (gallons)	25,070,951	24,018,591	25,272,701	26,336,362	28,365,756	28,447,471	25,301,723	26,591,065	23,879,740	25,986,566
Wastewater										
Average daily sewage treatment (gallons)	17,800,000	19,200,000	17,200,000	15,200,000	15,000,000	13,900,000	12,800,000	13,100,000	13,078,164	14,500,000

Sources: Various government departments
*SID Project Completed year 2006

**PROVO CITY CORPORATION
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub Stations	2	3	3	4	4	4	4	2	1	1
Patrol Units	N/A	N/A	N/A	72	72	72	72	72	72	72
Fires Stations	4	4	4	4	4	5	5	5	5	
Sanitation										
Collection trucks	N/A	N/A	N/A	11	11	11	11	11	11	11
Highways and streets										
Street lane miles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	609	810
Traffic signals	73	78	78	80	80	80	86	86	89	89
Culture and recreation										
Cemeteries	1	1	1	1	1	1	1	1	1	1
Cultural Arts Centers	0	0	0	0	0	1	1	1	1	1
Golf Course	0	0	0	0	0	0	0	1	1	1
Gun Range	1	1	1	1	1	1	1	1	1	1
Libraries	1	1	1	1	1	1	1	1	1	1
Parks	38	45	45	45	45	45	45	45	44	44
Developed	38	37	37	37	37	37	40	40	39	39
Developed park acreage	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	619	619
Undeveloped	0	8	8	8	8	8	5	5	5	5
Recreation Centers	1	1	1	1	1	2	2	2	2	3
Swimming pools	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	320	325	329	333	338	350	351	351	361	376
Fire hydrants	2,236	2,320	2,362	2,440	2,486	2,614	2,635	2,695	2,787	2,917
Sewer										
Sanitary sewers (miles)	560	265	267	267	272	279	280	280	284	292
Storm sewers (miles)	44	46	47	48	50	50	50	71	99	96
Electric										
Number of distribution stations	22	22	22	21	21	21	21	21	21	21
Miles of service lines	325	381	381	475	362	362	373	373	376	379
Number of consumer connections	28,776	29,851	30,465	31,317	31,889	32,440	33,066	33,486	33,811	34,227

Sources: Various city departments

PROVO CITY CORPORATION

**Single Audit
And
State Legal Compliance Reports**

June 30, 2006

Hansen, Bradshaw, Malmrose & Erickson

**A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS**

PROVO CITY CORPORATION
Single Audit and State Legal Compliance Reports
June 30, 2006

TABLE OF CONTENTS

Single Audit

Report of Independent Certified Public Accountants On The
Internal Control Over Financial Reporting and on Compliance
Based On An Audit of Financial Statements Performed In
Accordance with *Government Auditing Standards* 1

Report of Independent Certified Public Accountants On
Compliance With Requirements Applicable To Each Major
Program and Internal Control Over Compliance In
Accordance with OMB Circular A-133 3

Schedule of Expenditures of Federal Awards 5

Notes to the Schedule of Expenditures of Federal Awards 7

Schedule of Findings and Questioned Costs 9

Summary Schedule of Prior Audit Findings 11

State Legal Compliance Reports

Report of Independent Certified Public Accountants on
Compliance with the State of Utah's Legal Compliance Audit Guide 13

Schedule of Findings - State Legal Compliance 15

Corrective Action Plans 16

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

Lynn Hansen, CPA
Clarke R. Bradshaw, CPA
Gary E. Malmrose, CPA
Edwin L. Erickson, CPA
Michael L. Smith, CPA

Jason L. Tanner, CPA
Robert D. Wood, CPA

Members of the
American Institute
of Certified Public
Accountants

Members of the
Private Company
Practice Section

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Members of the City Council and Mayor
Provo City Corporation, Utah

We have audited the basic financial statements of Provo City Corporation, Utah (the City), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the City, in a separate letter dated November 3, 2006.

Internal Control Over Financial Reporting In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data, consistent with assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all the reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, the City Council and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

November 3, 2006

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Members of the City Council and Mayor
Provo City Corporation, Utah

Compliance

We have audited the compliance of Provo City Corporation, Utah (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The City's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Provo City Corporation, Utah as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Provo City Corporation, Utah's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the City Council and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

November 3, 2006

Provo City Corporation
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA #	Federal Award/Contract #	Grant Expenditure
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant 01-02	14.218	B-01-MC-49-0003	29,168
Community Development Block Grant 02-03	14.218	B-02-MC-49-0003	81,422
Community Development Block Grant 03-04	14.218	B-03-MC-49-0003	38,437
Community Development Block Grant 04-05	14.218	B-03-MC-49-0003	224,252
Community Development Block Grant 05-06	14.218	B-03-MC-49-0003	1,086,526
Commercial Rehab Revolving Loan Program	14.218	None	42
Community Development Revolving Loan Program	14.218	None	478,359
Housing Rehabilitation Revolving Loan Program	14.218	None	6,070
Neighborhood Rehabilitation Revolving Investment Program	14.218	None	1,165,376
		Subtotal	3,109,652
HOME Investment Partnership Agreement 01-02	14.239	M-01-DC-49-0207	106,624
HOME Investment Partnership Agreement 03-04	14.239	M-03-DC-49-0207	183,887
HOME Investment Partnership Agreement 04-05	14.239	M-04-DC-49-0207	500,679
HOME Investment Partnership Agreement 05-06	14.239	M-05-DC-49-0207	1,082,784
		Subtotal	1,873,974
EDI-Special Project Grant Parking Garage	14.246	B-99-SP-UT-0299	72,457
EDI-Special Project Grant Ironton	14.246	B-01-SP-UT-00618	21,950
		Subtotal	94,407
BEDI -Brownfields Grant Ironton	14.248	B-00-BD-49-0028	438,944
Section 108 Loan Guarantee Ironton	14.248	B-00-MC-49-0003	59,787
		Subtotal	498,731
		Total Direct Awards	5,576,763
Total Department of Housing and Urban Development			5,576,763
<u>Department of Justice</u>			
1996 Rural Domestic Violence Grant Program	16.589	96-WR-NX-0001	23,052
2005 Rural Domestic Violence Grant Program	16.589	2005-WR-AX-0028	55,016
Local Law Enforcement Block Grant	16.592	2003-LB-BX-1553	21,947
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0892	11,259
Bulletproof Vest Grant Program	16.607	None	3,469
		Total Direct Awards	114,743
OPD 3 Homeland Security Part II (Pass through from State of Utah)	16.007	DES-2003-CIP-011	6,700
		Subtotal	6,700
03 Grant, Part II (Pass through from State of Utah)	16.007		2,725
04 Grant (Pass through from State of Utah)	16.007		28,936
05 Grant (Pass through from State of Utah)	16.007		17,570
Edward Byrne Memorial Justice Assistance Grant	16.738	2005-DJ-BX-0632	2,092
		Subtotal	51,323
04/05 Violence Against Women Grant (Pass through from State of Utah)	16.588	04-VAWA-19	2,359
05/06 Violence Against Women Grant (Pass through from State of Utah)	16.588	05-VAWA-22	15,350
		Subtotal	17,709
		Total Pass Through Awards	75,732
Total Department of Justice			190,475

Provo City Corporation
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA #	Federal Award/Contract #	Grant Expenditure
<u>US Department of Transportation</u>			
Airport Improvement Program	20.106	3-40-0027-24 & 25	1,832,962
Total Department of Transportation			<u>1,832,962</u>
<u>U.S. Office of Library Services</u>			
Library Services Grant (Pass through from State of Utah)	45.310	LS-0-05-0045-05	5,855
Library Services Grant (Pass through from State of Utah)	45.310	LS-00-05-0045-05	2,651
Total Office of Library Services			<u>8,506</u>
<u>U.S. Department of Health and Human Services</u>			
Special Programs for the Aging (Pass through from Mountainland Association of Governments)			
TITLE III, Part C—Nutrition Services	93.045	None	11,563
Total Department of Health and Human Services			<u>11,563</u>
<u>U.S. Department of Homeland Security</u>			
EMPG State and Local Assistance (Pass through from State of Utah)	97.042	SLA-2004-DES-CTY17	2,500
EMPG State and Local Assistance (Pass through from State of Utah)	97.042	EMPG-2006-DHLS-CTY15	5,000
		Total Pass Through Awards	<u>7,500</u>
Assistance to Firefighters, HLS	83.554	EMW-2004-FP-02996	71,680
		Total; Direct Awards	<u>71,680</u>
Total Department of Homeland Security			<u>79,180</u>
Total Federal Expenditures			<u>7,699,449</u>

PROVO CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

1. PURPOSE OF THIS SCHEDULE

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the City's basic financial statements and is presented for additional analysis. The Schedule is required by the office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Provo City Corporation, Utah. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Federal Financial Assistance - Pursuant to the Single Audit Act of 1984; the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, endowments, or direct appropriations. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of Federal Domestic Assistance - OMB Circular A-133 requires the Schedule to show the total expenditures for each of the City's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide summary of individual federal programs. Each program included in the CFDA is assigned a five digit program identification number (CFDA number) which is reflected in the Schedule. Federal financial assistance programs and contracts which have not been assigned a CFDA number have been identified as None in the CFDA Column of the schedule.

Type A and Type B Programs - The Single Audit Act of 1984 (as amended in 1996) and OMB Circular A-133 establish the levels to be used in defining Type A and Type B federal programs. Type A programs for Provo City Corporation, Utah are those programs that exceeded \$300,000 in the federal awards expended for the fiscal year ended June 30, 2006. All other programs are classified as Type B by the City.

Reporting Entity

The City reporting entity is fully described in Footnote 1.A. of the City's basic financial statements. The Schedule includes all federal financial assistance programs administered by the City for the year ended June 30, 2006.

PROVO CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Federal financial assistance programs included in the Schedule are reported in the City's basic financial statements as intergovernmental revenue in the General Fund, Special Revenue Funds, and Proprietary Funds. The Schedule is presented using the same basis of accounting used for each fund is described in Footnote 1B. of the City's basic financial statements.

3. NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance.

4. FEDERAL INSURANCES

No federal insurance was in effect on June 30, 2006.

5. LOANS OUTSTANDING

Loans outstanding at June 30, 2006, in federal programs, include the following:

Commercial Rehabilitation Loans	\$ 67,856
Community Development Revolving Loans	530,523
Housing Rehabilitation Revolving Loans	1,134,415
HOME Loans	<u>10,221,733</u>
Total loans receivable outstanding	<u>\$11,954,527</u>
108 Loan Guarantee	<u>\$ 2,800,000</u>
Total loans payable outstanding	<u>\$ 2,800,000</u>

6. SUB-RECIPIENTS

Provo City Corporation provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Community Development Block Grant	14.218	\$1,536,162
HOME Investment Partnership Agreement	14.239	1,663,684
Total		

PROVO CITY CORPORATION
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Provo City Corporation, Utah.
2. Reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on the Internal Control Over Financial Reporting Based on an Audit of Financial Statements performed in Accordance with *Government Auditing Standards*. None of the reportable conditions were considered to be material weaknesses.
3. No instance of noncompliance material to the financial statements of Provo City, Utah were disclosed during the audit.
4. The auditors' report on compliance for the major federal award programs for Provo City Corporation, Utah expresses an unqualified opinion.
5. No current audit findings were noted which are required to be reported under OMB Circular A-133 or *Government Auditing Standards*.
6. The programs tested as major programs were:

Department of Housing and Urban Development, Community Development
Block Grant CFDA No. 14.218

U.S. Department of Transportation, Airport Improvement Program Grant,
CFDA No. 20.106
7. The threshold for distinguishing Type A and B programs was \$300,000.
8. Provo City Corporation, Utah was determined to be a low-risk auditee.

PROVO CITY CORPORATION
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

B. Findings - Financial Statement Audit

06-1 Finance Department Oversight of Accounting for Redevelopment and Housing Programs

Finding: Staff of the Redevelopment and Housing programs managed by the City maintain the accounting records and loan listings for the various loan programs operated by the City. The condition of the financial and accounting records resulted in significant time and adjustments to reconcile the loan listings to the general ledger at year end.

Recommendation: We recommend the City's finance department be more actively involved in oversight and assistance with the accounting work performed by the Redevelopment staff to ensure proper recording and reconciling of loan activity during the year. We also suggest Redevelopment and Finance department personnel attend training courses to improve their understanding of Federal accounting and reporting requirements for these programs.

City's Response: The City concurs. See Corrective Action Plan.

06-2 Cash Management

Finding: Requests for reimbursements for HOME loan program expenditures have not been submitted in a timely manner.

Recommendation: Reimbursement requests should be submitted to the granting agency on at least a quarterly basis for all awards that have had expenditures.

City's Response: The City concurs. See Corrective Action Plan.

PROVO CITY CORPORATION
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2006

The current status of prior year audit findings are as follows:

Findings - Financial Statement Audit

05-1 Management Performance Evaluations

Finding: City Code Section 4.04.140 requires executive performance plans and periodic evaluations. The required plans have not been performed and documented. Evaluations are an effective control mechanism for monitoring internal controls.

Current Status: Resolved. The City code has been amended to fit the current evaluation practices.

05-2 Cash Management

Finding: Requests for reimbursements of grant expenditures have not been submitted in a timely manner.

Current Status: Requests for reimbursement of grant expenditures have not been submitted in a timely manner. See current finding 06-2.

Findings and Questioned Costs - Federal Award Programs

05-3 Suspension and Debarment

Finding: Compliance with Department of Transportation, CFDA No. 20.106 guidelines requires that no purchases be made or contracts entered into from vendors or contractors that have been suspended or debarred. Internal controls should be designed so that grantees verify, in advance, that certain vendors or contractors have not been suspended or debarred. Program staff and project managers were unaware of the requirement for the verification and no policy or internal controls are in place to ensure this requirement is met.

Current Status: Resolved. Airport grant staff and consultants have been made aware of compliance requirements and have adequately complied with applicable verifications.

PROVO CITY CORPORATION
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2006

05-4 Management Risk Assessments

Finding: In evaluating the internal control over federal funds, it was identified that management risk assessments have not been completed in any area of compliance over federal funds.

Current Status: Resolved. The City has established a committee to evaluate the City's internal controls and risk areas. This committee has provided training among various departments to help mitigate potential risks.

Hansen, Bradshaw, Malmrose & Erickson

A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

559 West 500 South
Bountiful, Utah 84010
801-296-0200
Fax 801-296-1218

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON STATE OF UTAH STATE LEGAL COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Members of the City Council and Mayor
Provo City Corporation, Utah

We have audited the basic financial statements of Provo City Corporation, Utah (the City) for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Airport Improvements (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Cash Management	B & C Road Funds
Budgetary Compliance	Other Compliance Requirements
Truth in Taxation and Property	Impact Fees
Tax Limitation	Uniform Building Code Standards
Liquor Law Enforcement	Purchasing Requirements
Public Debt	Asset Forfeiture

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described in the accompanying Schedule of Findings. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Provo City Corporation, Utah complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

November 3, 2006

PROVO CITY CORPORATION
Schedule of Findings - State Legal Compliance
Year Ended June 30, 2006

Requirement/Program

Current Year Findings

1. Fund Balance

Finding: Unreserved fund balance in the General Fund can be up to 18% of the budgeted revenues of the fund. At June 30, 2006, unreserved fund balance is 25% of 2006-2007 budgeted revenues.

Recommendation: The City should amend the current year budget as necessary and appropriate the excess fund balance.

Management's response: Administration and Finance staff has met with the Council to discuss uses of the excess fund balance in the General Fund. The Council plans to transfer the remaining excess over 18% of budgeted revenues to the General Capital Improvement Fund. The Council will consider using the funds for various projects throughout the City.

Anticipated implementation date: December, 2006

CORRECTIVE ACTION PLAN

November 28, 2006

Provo City Council

Provo respectively submits the following corrective action plan for the year ended June 30, 2006.

Lewis K. Billings
Mayor

The findings from the "Schedule of Findings and Questioned Costs" are listed below. With each finding is a discussion of a corrective action plan and anticipated completion date.

The findings below are numbered consistently with the numbers assigned in the schedule.

Finding 06-1 Finance Department Oversight of Accounting for Redevelopment and Housing Programs

Name of contact person: John Borget, Director of Finance
Paul Glauser, Redevelopment Director

Corrective action planned:

The Finance Department and the Redevelopment Department will work together to integrate the Federal reporting system, detailed loan files and the current financial system of the City. Employees from the Finance department will receive training in federal program reporting. Finance will provide training in governmental accounting to the Redevelopment staff.

Anticipated implementation date: March, 2007

Finding 06-2 Cash Management

Name of contact person: John Borget, Director of Finance
Paul Glauser, Redevelopment Director

Corrective action planned:

The finding refers specifically to a group of 2006 HOME grant receivables totaling approximately \$ 300,000 for which no reimbursement had been requested at the time of the audit.

Anticipated implementation date: Since the audit, this reimbursement has taken place and the staffing issue which led to the finding has been resolved. It should also be noted that the Redevelopment Agency processed five other HOME reimbursements throughout FY2006 totaling \$1,526,000.

If the City Council has questions regarding this plan, please call John Borget at 852-6504.

Office of Finance

Sincerely yours,

351 West Central Street

P.O. Box 1345

Provo, Utah 84603


John Borget
Finance Director

